



MKHONDO
LOCAL MUNICIPALITY

DRAFT ANNUAL REPORT

2011/2012

FINANCIAL YEAR

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Submitted by:

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ACRONYMS AND ABBREVIATIONS

| | |
|-------|--|
| MFMA | - Municipal Finance Management Act |
| MM | - Municipal Manager |
| SEDA | - Enterprise Development Agency |
| DEDET | - Department of Economic Development Environment and Tourism |
| CRDP | - Comprehensive Rural Development Programme |
| MSIG | - Municipal System Improvement Grant |
| DoRA | - Division of Revenue Act |
| MIG | - Municipal Infrastructure Grant |
| FMG | - Finance Management Grant |
| PMU | - Project Management Unit |
| IDP | - Integrated Development Plan |
| SCM | - Supply Chain Management |
| CFO | - Chief Financial Officer |
| GM | - General Manager |
| PMS | - Performance Management System |
| MMC | - Members of Mayoral Committee |
| SDBIP | - Service Delivery and Budget Implementation Plan |
| RDP | - Reconstruction and Development Program |
| HR | - Human Resources |
| DBSA | - Development Bank of South Africa |
| CPIX | - Consumer Price Index |
| SALGA | - South African Local Government Association |
| COGTA | - Co-Operative Governance and Traditional Affairs |
| GRAP | - General Recognized Accounting Practice |

CHAPTER 1:

1 INTRODUCTION AND OVERVIEW

1.1 EXECUTIVE MAYOR'S FOREWORD

Armed with the key performance beacons contained in the IDP and Budget of 2012/13, Mkhondo Municipality continues its path that is meant to address the needs of the community by creating an enabling environment for employment opportunities, alleviation of poverty, improvement of health conditions, upgrading of infrastructure and advancement of comprehensive rural development. A year has gone pass and we are pleased to reflect back on remarkable substantial impact our Municipality has made. This also presents an opportunity for us to conduct self-introspection of our challenges that still abound us and subsequently chart measures on how they can be overcome.

The May 2011 election of new political leadership, appointment of Section 56s and establishment of the Section 79 & 80 Committees strengthen the quality of decision-making processes at the levels of both political and administrative accountability and financial management within the organisation. The continuous interaction with all newly-established Ward Committees and strengthening of the working relations amongst all stakeholders has enhanced service delivery and active public participation of respective communities.

We have in the past year broadened our infrastructure development programmes by constructing new roads, distributing water and electricity, constructing new houses and sewer network and improved in rendering of refuse removal services, to name but a few. We acknowledge that this has happened within the limited budget for maintenance and refurbishment of existing and new infrastructure.

Surrounded by the magnificent mountains of timber, Mkhondo remains an ideal place to pursue maximum investment on timber processing that can broaden the revenue base of the Municipality. We pledge to improve and enhance service delivery in all key development priority areas. Working together with communities, spheres of government, private sector, civil society structures and other stakeholders we have achieved much, but there is still more to be done. Together we strive to make Mkhondo a unique living experience, aiming towards a better quality of life based on a safer and healthier environment with an improved socio-economic conditions.

We remain focusing on our efforts in ensuring that, through our appropriate monitoring systems in place, the performance plan of our administration, SDBIPs as well as infrastructure development is heightened. We are aware that performance is critical when you build to the last. Hence, we are committed to increase our productivity at the working place and stay in control of both political and administrative mandate. It is our hope that the Municipality will move from strength to strength and become the theatre of planning and the master of coordination and implementation.

_____/_____/_____

CLR BHEKABANTU H. MTSHALI

EXECUTIVE MAYOR

1.2 FOREWORD BY THE MUNICIPAL MANAGER

The 2011/12 financial year started immediately after the fourth democratic local government elections which were held on 18 May 2011. The elections marked the beginning of the new era for Mkhondo municipality after the previous era which was marred by, inter alia, the provincial intervention in the administration of the municipality. Although the provincial administration was lifted in January 2011 the municipality started the 2011/12 financial year with the scars of the provincial administration. As the year started the municipality had to struggle between ensuring administrative stability to ensuring seamless service delivery to the citizens.

All the positions of section 56 managers were vacant. Some positions of staff in the lower positions were also vacant. The municipality prioritized the filling of top management positions. This led to the filling of the Municipal Manager's post by October 2011, the filling General Managers: Corporate and Technical Services by February 2012 and the filling of the General Managers: Community and Financial Services by May 2012. This meant that all Top Management positions were filled before the end of the financial year. The correct placement on people into positions was also concluded in December 2012. Most vacant positions were advertised although the recruitment process was still work in progress by the end of the financial year.

On service delivery, the municipality ensured that basic services were delivered as planned during the year. The IDP and the Budget were adopted before the start of the year. The Service Delivery and Budget Implementation Plan was also subsequently approved. Service delivery proceeded as planned in the SDBIP and quarterly reports were submitted to council to report the achievements of the municipality. All political structures were established and given administrative assistance to carry out their responsibilities.

The community of Mkhondo also played their constitutional role in the development of the municipality by heeding the call to participate in all our consultative meetings. These ranged from IDP and Budget consultative meetings to Mayoral Izimbizo. Our appreciation goes to the entire Mkhondo Municipal Council and Administration, as well as the entire community for their contribution in making the year a success.

1.3 EXECUTIVE SUMMARY

The purpose of the document is to report on the annual performance of the Municipality in compliance with section 46 of the Municipal Systems Act 2000, Act 32 of 2000 (MSA), as well as section 121 of the Municipal Finance Management Act 2003, Act 56 of 2003 (MFMA). The report has been compiled to form part of the Annual Report since it does not contain the Annual Performance Report, in line with section 121(2)(b) and (c) of the MFMA.

1.3.1 VISION

A community-driven, tranquil and model municipality of excellence

1.3.2 MISSION

We are committed to deliver quality and sustainable services that will enhance a healthy, economically viable, and better life for all.

1.3.3 CORE VALUES

The activities of the municipality are underpinned by the following core values:

Honesty; Openness; Punctuality; Excellence

1.3.4 INTEGRATED DEVELOPMENT PLAN (IDP)

Mkhondo Municipality had its IDP approved before implementation on 01 July 2011.

The municipality therefore has to develop an annual report with a view to provide a comprehensive account of the activities undertaken during this particular financial year.

The IDP is one of the most important and strategic planning documents of the municipality. It is a five year plan, reviewed annually, which determines the strategic direction and vision of council.

1.3.5 BUDGET FOR 2011/12 FINANCIAL YEAR

The Council approved and adopted the following budget resolutions in terms of section 24 of the Municipal Financial Management Act;

- Operational Budget
- Capital Budget
- Annual tariffs list
- Budget related policies

The following budget principles and guidelines directly informed the compilation of the 2011/12 MTREF:

- The 2010/11 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2011/12 annual budget;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act

Operating Revenue Framework

In view of the aforementioned, the following table is a consolidated overview of the proposed 2011/12 Medium-term Revenue and Expenditure Framework:

Consolidated Overview of the 2011/12 MTREF

| Consolidated MTREF Budget | Adjustment Budget 2010/11 | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 |
|----------------------------------|----------------------------------|----------------------------|-------------------------------|-------------------------------|
| Total Operating Revenue | 211 610 630 | 307 992 456 | 343 613 401 | 375 129 842 |
| Total Operating Expenditure | 211 608 172 | 289 404 184 | 317 160 200 | 346 052 320 |
| (Surplus)/Deficit for the year | (2 458) | (18 588 271) | (26 453 201) | (29 077 522) |
| Total Capital Expenditure | 42 841 600 | 84 287 000 | 98 121 800 | 105 366 730 |

Total operating revenue for 2011/12 financial year is R308million, when compared to the 2010/11 Adjustments Budget of R212million. For the two outer years, operational revenue will increase by 11.73 and 9.33 per cent respectively. Total operating expenditure for the 2011/12 financial year has been appropriated at R289million and translates into a budgeted surplus of R18.5million. When compared to the 2010/11 Adjustments Budget, operational expenditure has grown by 37 per cent in the 2011/12 budget and by 9.69 and 9.15 per cent for each of the respective outer years of the MTREF. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R84.3million for 2011/12 is 49.2 per cent higher when compared to the 2010/11 Adjustment Budget.

Operating Expenditure Framework

Mkhondo Local Municipality's operating expenditure framework for the 2011/12 budget and MTREF is informed by the following:

- The SALGA's employee remuneration and other related contributions as well as the repairs and maintenance;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the Integrated Development Plan of the municipality;
- Operational gains and efficiencies will be directed to funding the own capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

Underneath Table highlights the Operating Budget summary for 2011/12 as well as the 2012/13 MTREF.

MP303 Mkhondo - Table Budget Summary

| Description R thousands | 2008/9 | 2009/10 | 2010/11 | Current Year 2011/12 | | | | 2012/13 Medium Term Revenue & Expenditure Framework | | |
|--|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| <u>Financial Performance</u> | | | | | | | | | | |
| Property rates | 11,257 | 9,031 | 13,223 | 14,646 | 13,127 | 14,953 | 7,476 | 15,367 | 16,135 | 16,942 |
| Service charges | 43,771 | 60,717 | 80,231 | 93,780 | 96,826 | 91,820 | 45,910 | 108,581 | 114,008 | 119,711 |
| Investment revenue | – | 3,986 | 2,299 | 1,329 | 1,500 | 101 | 51 | 1,650 | 1,733 | 1,819 |
| Transfers recognised - operational | – | 130,609 | 91,395 | 91,030 | 91,243 | 122,997 | 61,498 | 103,141 | 103,439 | 108,611 |
| Other own revenue | 74,014 | 10,102 | 39,397 | 23,616 | 32,002 | 22,222 | 11,111 | 33,043 | 38,177 | 39,997 |
| | 129,043 | 214,445 | 226,544 | 224,400 | 234,698 | 252,093 | 126,046 | 261,782 | 273,492 | 287,080 |
| Total Revenue (excluding capital transfers and contributions) | | | | | | | | | | |
| Employee costs | 41,688 | 55,147 | 56,270 | 68,963 | 63,094 | 65,966 | 32,983 | 82,722 | 86,708 | 91,047 |
| Remuneration of councillors | 6,707 | 6,583 | 6,865 | 9,414 | 9,785 | 8,612 | 4,306 | 9,796 | 10,286 | 10,801 |
| Depreciation & asset impairment | – | – | 10 | – | – | – | – | – | – | – |
| Finance charges | – | 1,926 | 1,608 | 1,400 | 900 | 1,800 | 900 | 945 | 992 | 1,042 |
| Materials and bulk purchases | 28,684 | 31,880 | 50,417 | 64,550 | 75,000 | 73,311 | 36,655 | 76,375 | 80,194 | 84,203 |
| Transfers and grants | – | 4,715 | 7,671 | 16,009 | 16,009 | 5,237 | 2,619 | 16,361 | 17,179 | 18,038 |
| Other expenditure | 53,953 | 55,000 | 50,130 | 64,038 | 67,356 | 45,872 | 22,936 | 75,553 | 79,216 | 82,913 |
| Total Expenditure | 131,033 | 155,251 | 172,972 | 224,374 | 232,144 | 200,798 | 100,399 | 261,752 | 274,576 | 288,044 |
| Surplus/(Deficit) | (1,990) | 59,194 | 53,572 | 25 | 2,555 | 51,295 | 25,647 | 30 | (1,084) | (964) |
| Transfers recognised - capital | – | – | – | 71,703 | 82,133 | 31,965 | 15,982 | 59,081 | 64,989 | 71,488 |
| Contributions recognised - capital & contributed assets | – | – | – | 23,000 | 25,030 | – | – | 24,000 | 26,540 | 31,494 |
| | (1,990) | 59,194 | 53,572 | 94,728 | 109,718 | 83,260 | 41,630 | 83,111 | 90,445 | 102,018 |
| Surplus/(Deficit) after capital transfers & contributions | | | | | | | | | | |
| Share of surplus/ (deficit) of associate | – | – | – | – | – | – | – | – | – | – |
| Surplus/(Deficit) for the year | (1,990) | 59,194 | 53,572 | 94,728 | 109,718 | 83,260 | 41,630 | 83,111 | 90,445 | 102,018 |
| <u>Capital expenditure & funds sources</u> | | | | | | | | | | |
| Capital expenditure | – | – | – | 84,287 | 84,443 | 33,868 | 16,934 | 96,747 | 106,562 | 119,518 |
| Transfers recognised - capital | – | – | – | 71,703 | 82,133 | 31,965 | 15,982 | 83,081 | 91,529 | 102,982 |
| Public contributions & donations | – | – | – | – | – | – | – | – | – | – |
| Borrowing | – | – | – | – | – | – | – | – | – | – |
| Internally generated funds | – | – | – | 12,584 | 2,310 | 1,904 | 952 | 13,666 | 15,032 | 16,536 |
| Total sources of capital funds | – | – | – | 84,287 | 84,443 | 33,868 | 16,934 | 96,747 | 106,561 | 119,518 |

| | | | | | | | | | | |
|---|---------------|-----------------|---------------|-----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Financial position | | | | | | | | | | |
| Total current assets | – | 44,682 | 76,886 | – | – | – | – | 79,629 | 87,593 | 96,352 |
| Total non current assets | – | 471,060 | 508,308 | – | – | – | – | 628,093 | 687,183 | 718,973 |
| Total current liabilities | – | 45,039 | 56,855 | – | – | – | – | 58,277 | 64,105 | 70,516 |
| Total non current liabilities | – | 7,907 | 11,994 | – | – | – | – | 5,598 | 4,758 | 3,997 |
| Community wealth/Equity | – | 462,796 | 516,345 | – | – | – | – | 567,980 | 624,777 | 687,255 |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | – | 35,338 | 69,334 | 70,928 | 82,888 | 83,260 | 41,630 | 81,131 | 88,367 | 99,835 |
| Net cash from (used) investing | – | (41,189) | (37,259) | (84,287) | (84,443) | – | – | (19,134) | (24,907) | (66,625) |
| Net cash from (used) financing | – | (3,315) | (909) | – | – | – | – | 4,638 | 5,103 | 5,613 |
| Cash/cash equivalents at the year end | 3,830 | (5,336) | 25,830 | (13,359) | (1,555) | 83,260 | 41,630 | 100,328 | 168,891 | 207,714 |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | – | (5,358) | 25,785 | – | – | – | – | 103,398 | 110,019 | 84,093 |
| Application of cash and investments | – | 11,701 | (1,263) | – | – | – | – | 35,422 | 35,245 | 1,842 |
| Balance - surplus (shortfall) | – | (17,060) | 27,047 | – | – | – | – | 67,976 | 74,773 | 82,251 |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | – | 69,808 | 69,899 | – | – | – | 550,480 | 550,480 | 605,527 | 666,080 |
| Depreciation & asset impairment | – | – | 10 | – | – | – | – | – | – | – |
| Renewal of Existing Assets | 67,272 | 38,040 | 45,929 | – | – | – | – | 96,535 | 106,188 | 116,808 |
| Repairs and Maintenance | – | – | – | – | – | – | – | – | – | – |
| Free services | | | | | | | | | | |
| Cost of Free Basic Services provided | 967 | 913 | 1,046 | 1,118 | 1,118 | 1,279 | 1,450 | 1,450 | 1,537 | 1,605 |
| Revenue cost of free services provided | 259 | 259 | 259 | 266 | 266 | 266 | 279 | 279 | 299 | 303 |
| Households below minimum service level | | | | | | | | | | |
| Water: | – | – | – | – | – | – | – | – | – | – |
| Sanitation/sewerage: | – | – | – | – | – | – | – | – | – | – |
| Energy: | – | – | – | – | – | – | – | – | – | – |
| Refuse: | – | – | – | – | – | – | – | – | – | – |

Underneath Table depicts the budgeted Capital Expenditure by vote for Mkhondo Municipality.

MP303 Mkhondo - Table Budgeted Capital Expenditure by vote, standard classification and funding

| Vote Description | Ref | 2008/9 | 2009/10 | 2010/11 | Current Year 2011/12 | | | | 2012/13 Medium Term Revenue & Expenditure Framework | | |
|--|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|---|------------------------|------------------------|
| R thousand | 1 | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2012/13 | Budget Year +1 2013/14 | Budget Year +2 2014/15 |
| Capital expenditure - Vote | | | | | | | | | | | |
| <u>Multi-year expenditure to be appropriated</u> | 2 | | | | | | | | | | |
| Vote 1 - Executive Council | | - | - | - | - | - | - | - | 150 | 165 | 182 |
| Vote 2 - Budget & Treasury Office | | - | - | - | 1,550 | 200 | - | - | 3,850 | 4,235 | 4,659 |
| Vote 3 - Corporate Services | | - | - | - | 1,293 | 1,542 | 1,169 | 584 | 390 | 429 | 472 |
| Vote 4 - Planning & Development | | - | - | - | - | - | - | - | 1,100 | 1,210 | 1,331 |
| Vote 5 - Health | | - | - | - | - | - | - | - | - | - | - |
| Vote 6 - Community & Social Services | | - | - | - | 3,520 | 2,200 | - | - | - | - | - |
| Vote 7 - Housing | | - | - | - | - | - | - | - | - | - | - |
| Vote 8 - Public Safety | | - | - | - | - | - | - | - | 570 | 627 | 690 |
| Vote 9 - Sports & Recreations | | - | - | - | - | - | - | - | - | - | - |
| Vote 10 - Roads & Technical Services | | - | - | - | 38,169 | 40,497 | 29,596 | 14,798 | 14,081 | 15,630 | 19,492 |
| Vote 11 - Waste Management | | - | - | - | - | - | - | - | 1,600 | 1,760 | 1,936 |
| Vote 12 - Waste Water Management | | - | - | - | 29,755 | 20,476 | 72 | 36 | 37,650 | 41,415 | 45,557 |
| Vote 13 - Water | | - | - | - | 8,000 | 900 | 981 | - | 29,300 | 32,230 | 35,453 |
| Vote 14 - Electricity | | - | - | - | 2,000 | 18,628 | 2,051 | 1,025 | 7,786 | 8,564 | 9,421 |
| Vote 15 - Other | | - | - | - | - | - | - | - | 270 | 297 | 327 |
| Capital multi-year expenditure sub-total | 7 | - | - | - | 84,287 | 84,443 | 33,868 | 16,444 | 96,747 | 106,562 | 119,518 |
| <u>Single-year expenditure to be appropriated</u> | 2 | | | | | | | | | | |
| Vote 1 - Executive Council | | - | - | - | - | - | - | - | 150 | 165 | 182 |
| Vote 2 - Budget & Treasury Office | | - | - | - | 1,550 | 200 | - | - | 3,850 | 4,235 | 4,659 |
| Vote 3 - Corporate Services | | - | - | - | 1,293 | 1,542 | 1,169 | 584 | 390 | 429 | 472 |
| Vote 4 - Planning & Development | | - | - | - | - | - | - | - | 1,100 | 1,210 | 1,331 |
| Vote 5 - Health | | - | - | - | - | - | - | - | - | - | - |
| Vote 6 - Community & Social Services | | - | - | - | 3,520 | 2,200 | - | - | - | - | - |
| Vote 7 - Housing | | - | - | - | - | - | - | - | - | - | - |
| Vote 8 - Public Safety | | - | - | - | - | - | - | - | 570 | 627 | 690 |
| Vote 9 - Sports & Recreations | | - | - | - | - | - | - | - | - | - | - |
| Vote 10 - Roads & Technical Services | | - | - | - | 38,169 | 40,497 | 29,596 | 14,798 | 14,081 | 15,489 | 17,038 |
| Vote 11 - Waste Management | | - | - | - | - | - | - | - | 1,600 | 1,760 | 1,936 |

| | | | | | | | | | | | |
|--|---|---|---|---|----------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Vote 12 - Waste Water Management | | - | - | - | 29,755 | 20,476 | 72 | 36 | 37,650 | 41,415 | 45,557 |
| Vote 13 - Water | | - | - | - | 8,000 | 900 | 981 | 491 | 29,300 | 32,230 | 35,453 |
| Vote 14 - Electricity | | - | - | - | 2,000 | 18,628 | 2,051 | 1,025 | 7,786 | 8,564 | 9,421 |
| Vote 15 - Other | | - | - | - | - | - | - | - | 270 | 297 | 327 |
| Capital single-year expenditure sub-total | | - | - | - | 84,287 | 84,443 | 33,868 | 16,934 | 96,747 | 106,421 | 117,064 |
| Total Capital Expenditure - Vote | | - | - | - | 168,574 | 168,886 | 67,737 | 33,378 | 193,494 | 212,983 | 236,581 |
| Capital Expenditure - Standard | | | | | | | | | | | |
| Governance and administration | | - | - | - | 2,843 | 1,742 | 1,169 | 584 | 4,390 | 4,829 | 5,312 |
| Executive and council | | | | | - | - | - | - | 150 | 165 | 182 |
| Budget and treasury office | | | | | 1,550 | 200 | - | - | 3,850 | 4,235 | 4,659 |
| Corporate services | | | | | 1,293 | 1,542 | 1,169 | 584 | 390 | 429 | 472 |
| Community and public safety | | - | - | - | 3,520 | 2,200 | - | - | 570 | 627 | 690 |
| Community and social services | | | | | 3,520 | 2,200 | - | - | - | - | - |
| Sport and recreation | | | | | - | - | - | - | - | - | - |
| Public safety | | | | | - | - | - | - | 570 | 627 | 690 |
| Housing | | | | | - | - | - | - | - | - | - |
| Health | | | | | - | - | - | - | - | - | - |
| Economic and environmental services | | - | - | - | 38,169 | 40,497 | 29,596 | 14,798 | 15,181 | 16,840 | 20,823 |
| Planning and development | | | | | - | - | - | - | 1,100 | 1,210 | 1,331 |
| Road transport | | | | | 38,169 | 40,497 | 29,596 | 14,798 | 14,081 | 15,630 | 19,492 |
| Environmental protection | | | | | - | - | - | - | - | - | - |
| Trading services | | - | - | - | 39,755 | 40,003 | 3,104 | 1,552 | 76,336 | 83,969 | 92,366 |
| Electricity | | | | | 2,000 | 18,628 | 2,051 | 1,025 | 7,786 | 8,564 | 9,421 |
| Water | | | | | 8,000 | 900 | 981 | 491 | 29,300 | 32,230 | 35,453 |
| Waste water management | | | | | 29,755 | 20,476 | 72 | 36 | 37,650 | 41,415 | 45,557 |
| Waste management | | | | | - | - | - | - | 1,600 | 1,760 | 1,936 |
| Other | | | | | - | - | - | - | 270 | 297 | 327 |
| Total Capital Expenditure - Standard | 3 | - | - | - | 84,287 | 84,443 | 33,868 | 16,934 | 96,747 | 106,562 | 119,518 |
| Funded by: | | | | | | | | | | | |
| National Government | | | | | 48,703 | 48,703 | 31,965 | 15,982 | 59,081 | 64,989 | 71,488 |
| Provincial Government | | | | | - | - | - | - | - | - | - |
| District Municipality | | | | | 23,000 | 25,030 | - | - | 24,000 | 26,540 | 31,494 |
| Other transfers and grants | | | | | - | 8,400 | - | - | - | - | - |
| Transfers recognised - capital | 4 | - | - | - | 71,703 | 82,133 | 31,965 | 15,982 | 83,081 | 91,529 | 102,982 |
| Public contributions & donations | 5 | | | | - | - | - | - | - | - | - |
| Borrowing | 6 | | | | - | - | - | - | - | - | - |
| Internally generated funds | | | | | 12,584 | 2,310 | 1,904 | 952 | 13,666 | 15,032 | 16,536 |
| Total Capital Funding | 7 | - | - | - | 84,287 | 84,443 | 33,868 | 16,934 | 96,747 | 106,561 | 119,518 |

For 2011/12 an amount of R86.2million has been appropriated towards the capital budget for development of infrastructure within the Mkhondo Local municipality jurisdiction. The highest capital infrastructure budget allocation on waste water management of R39.7million which equates to 46 per cent will address sewer challenges that the municipality is currently facing.

Our municipal road infrastructure is in such a state of collapse, an amount of R29.9million which equates to 35 per cent will be spent on roads infrastructure development and resurfacing some of the impaired roads to improve the lives of our community in Mkhondo.

1.3.6 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

During the financial year under review, the SDBIP was developed and implemented although not all projects were implemented due to budgetary constraints.

1.3.7 PERFORMANCE MANAGEMENT SYSTEM (PMS)

During the reporting period, the municipality employed all section 56 Managers by the fourth quarter of the financial year and performance agreement contracts were signed. Quarterly and monthly performance reports from different municipal departments were prepared and tabled to Council during that period.

1.4 METHODOLOGY FOLLOWED DURING THE COMPILATION OF THE REPORT

This report reflects deliverables in terms of the departmental projects and programs constituting the service delivery of the municipality. Each department compiled a report on the service rendered during the year. The reports were then put together to compile this annual report.

1.5 MKHONDO PROFILE

1.5.1 SETTLEMENT PATTERN

The Mkhondo Local Municipality is one of seven local municipalities located in the Gert Sibande District Municipality. It is bordered by Pixley Ka Isaka Seme Local Municipality towards west, eDumbe Local Municipality towards south, Phongolo Local Municipality towards southeast, Swaziland towards east, Chief Albert Luthuli Local Municipality towards northeast and Msukaligwa Local Municipality. The seat of the Mkhondo Local Municipality is located in Piet Retief town in the central part of the municipal area.

CHAPTER 2:

2 PERFORMANCE HIGHLIGHTS

The Municipality appointed Mr. A.N. Mahlangu as the Municipal Manager in October 2011. The first and second quarters were therefore still a challenge when it came to project implementation as all the Section 56 Managers position were vacant. The Municipal cash flow was very poor. Our budget was on paper and there was no cash in the bank. However by the end of the financial year all the section 56 managers were appointed thereby improving both cash flow and programme implementation

2.1 OFFICE OF THE EXECUTIVE MAYOR

The Municipal Manager was appointed on the 01 of October 2011.

Interaction with community in the form of IDP and Budget consultation meetings continued well and culminated in the approval of both the IDP and Budget. The Executive Mayor also interacted with the community through izimbizo.

2.2 OFFICE OF THE MUNICIPAL MANAGER

The office of the Municipal Manager continued to coordinate all the departments of the municipality. Council meetings were coordinated according to schedule and all community consultation meetings with regards to IDP and Budget were coordinated. The office also ensured that the municipal administration operated normally.

During the third quarter of the financial year the municipality appointed two (2) Section 56 Managers (General Manager Corporate & Technical Services), and on the fourth quarter appointed Chief Financial Officer and General Manager Community Services

2.3 FINANCIAL SERVICES DEPARTMENT

The administration of the Municipality is headed by the Municipal Manager and divided into four departments, each headed by a General Manager.

The Financial Services department consists of the following sections:

- Budget Control – Preparation of the municipality's annual budget, financial forecasting and preparation of all statutory reports

- Supply Chain Management - is responsible for procurement of goods and services, asset management and management of the supplier database.
- Expenditure – Coordination of accounts payable, payroll, investments, management of grants received and spent as well as the preparation of the annual financial statement as set out on the attached Annual Report.
- Revenue Section – coordinates all municipal revenue structures and the collection of all outstanding revenue due to the municipality.

2.3.1 SUPPLY CHAIN MANAGEMENT AND EXPENDITURE

| ACTIVITIES | CHALLENGES | ACHIEVEMENTS |
|---|--|--|
| TENDER/ CONTRACT MANAGEMENT | <ul style="list-style-type: none"> • Lack of Communication between bid committees. • Minimal training to bid committees • Specifications submitted do not specify correctly needs required • Committees do not seat on time to evaluate and adjudicate tenders. • Correspondence between committees not at optimum level. | <ul style="list-style-type: none"> • 29 tenders were advertised, 17 tenders awarded, however one of the 29 tenders was re-advertised and awarded thereafter, others were put on hold. • Bid Committees were trained • Tender register has been developed and is maintained regularly. |
| PROCUREMENT OF GOODS AND SERVICES | <ul style="list-style-type: none"> • End user Departments submit their requisitions late, which give SCM minimal time to act on these requests. • Non adherence to SCM policy by end user Departments. • Unauthorized expenditure • Non-submission of procurement plans by Departments. • End user Departments sourcing their own quotations without SCM's interventions. | <ul style="list-style-type: none"> • Implementation of SCM policy • Procurement of goods and services was centralized to SCM • Supplier database has been established. • Improved the turnaround time for the procurement of goods and services at least 2 days • Proper procurement procedures developed. • Improved proper documentation and document control. • Deviations reported monthly. |
| STORES MANAGEMENT | <ul style="list-style-type: none"> • Late submissions of stock replenishment request | <ul style="list-style-type: none"> • Stocktaking was done at the end of the financial year |

| | | |
|------------------------------------|---|---|
| | <ul style="list-style-type: none"> • Late capturing of stock issues • No budget on other vote items • Lack of communication between stores section and SCM. | <ul style="list-style-type: none"> • Price adjustment on stock items were done • All stock issues were captured • Network line installed at Magasyn. |
| ASSETS MANAGEMENT | <ul style="list-style-type: none"> • Staff move assets without proper authorization • Procurement of Assets without proper protocols followed, • Misallocation on procurements of assets • Non availability of Disposal committee • Theft and loss policy not available • Asset register is not uploaded to Munsoft (Financial system) • There is no custodian/ committee responsible for loss control | <ul style="list-style-type: none"> • Movable asset were identified • Identified assets were captured on inventory schedules and attached on each and every offices and Municipal properties • Movement of Assets was monitored closely • Compiled Assets Management policy • Asset Register was compiled by appointed consulted, Ditsibi. • Monthly asset additions reported. |
| CONTRACTS / OPERATING LEASES | <ul style="list-style-type: none"> • No contract and lease registers | <ul style="list-style-type: none"> • Month to Month contract with Honey Sucking services was developed • Lease schedules maintained. • Copies of contracts for operating leases were obtained from service providers |

| | | |
|---|--|--|
| FLEET MANAGEMENT | <ul style="list-style-type: none"> • Drivers and HOD 's booked in vehicles for repairs without following SCM procedures • Lack of internal controls • No log books • Accidents are not reported • Scrapped vehicles are not updated (still licensing them) • Shortage of staff • Lack of training on fleet staff. • Fleet Management: Abuse of Municipal vehicles is on the high, • It has been reported that there is abuse and stealing of Municipal fuel. | <ul style="list-style-type: none"> • Fuel order books were introduced for filling of petrol • Minimized irregular expenditure • Pumps to be installed at Magasyn for re-fueling of Municipal vehicles. |
| SEPARATION OF OPEX FUNDS FROM CAPEX FUNDS | <ul style="list-style-type: none"> • Utilising of Opex for Capex funds • Keeping of capex and opex funds in one account | <ul style="list-style-type: none"> • Ring fenced capital funds from operating funds • Adherence to MFMA prescription that of ring fencing MIG funds • Monthly reporting on both capital funds and operating funds to finance portfolio committee and MANCO |
| CREDITOR'S AND SALARY PAYMENTS | <ul style="list-style-type: none"> • Loss of credit facility to the Municipality putting pressure on little cash flow available • Decentralized procurement causing loss of control and documentation • Creditors paid on weekly basis, this is hampering financial viability. • Budget Is not aligned and often needs override, Insufficient budget to meet obligations. | <ul style="list-style-type: none"> • Reduce number of legal claims against the Municipality by paying creditors on time. • Reviving creditors confidence in the Municipality by paying them • Avoiding using current financial year funds to pay previous year liabilities • Payment of creditors within 30 days on presentation of invoices • Adhere to SCM policy in procurement of goods |

| | | |
|-----------------|--|---|
| | | <ul style="list-style-type: none"> Centralized filing |
| PAYMENT METHOD | <ul style="list-style-type: none"> Cheque payment method which affect reconciliations Free entry into the payment section by creditors | <ul style="list-style-type: none"> Introduction of EFT payment method for payment of all creditors |
| RECONCILIATIONS | <ul style="list-style-type: none"> Service providers do not submit monthly statements on time No salary interface with Munsoft and VIP | <ul style="list-style-type: none"> Bank reconciliations for twelve months were compiled. Vat reconciliation were done and submitted to SARS on time Creditors reconciliation were compiled on monthly basis VIP and Munsoft interface was done manually |
| VOUCHER CONTROL | <ul style="list-style-type: none"> Officials often take documents without from consent from responsible voucher control official | <ul style="list-style-type: none"> Voucher control room was renovated for safekeeping of vouchers. One dedicated official is responsible for control of payment vouchers. |

2.4 TECHNICAL SERVICES DEPARTMENT

2.4.1 PROJECT MANAGEMENT UNIT

The following were budget figures against the list of MIG registered project during 2011/12 financial year:

| PROJECT NAME | TOTAL PROJECT COST | 2011/12 FY BUDGET |
|--|--------------------|-------------------|
| 1. BUS AND TAXI ROUTE IN ETHANDAKUKHANYA | R 40 557 000.00 | R 8 000 000.00 |
| 2. BUS AND TAXI ROUTE IN EKWATHANDEKA | R 27 500 000.00 | R 7 000 000.00 |
| 3. PROJECT MANAGEMENT UNIT | R 0.00 | R 1 948 120.00 |
| 4. EXTENSION OF PIET RETIEF SEWER TREATMENT PLANT | R 37 606 169.90 | R 14 000 000.00 |
| 5. NKONJANENI WATERBORNE SANITATION INFRASTRUCTURE | R 13 979 145.00 | R 4 754 880.00 |
| 6. INSTALLATION OF WATER RETICULATION IN ETHANDAKUKHANYA EXT 6&8 | R 20 056 052.32 | R 8 000 000.00 |
| 7. INSTALLATION OF HIGH MAST LIGHTS | R 20 528 372.08 | R 2 000 000.00 |
| 8. INSTALLATION OF VIP TOILETS | R 45 402 274.08 | R 1 000 000.00 |
| 9. FENCING OF MUNICIPAL INFRASTRUCTURE | R 8 557 966.00 | R 2 000 000.00 |
| TOTAL | R 214 186 979.38 | R 48 703 000.00 |

2.4.2 WATER & SANITATION

- Amsterdam: 2,208,250 kl of purified water was pumped to the community of Amsterdam and the surrounding during the financial year 2011/2012.
- Piet Retief: 3,575,540 kl of treated clean water was made available to the community of Piet Retief and the surroundings for consumption during the financial year 2011/2012.
- Driefontein: 2,463,750kl of purified water was supplied to the community of Driefontein and the surroundings during the financial year 2011/2012
- The municipality has four water tankers that supplies water to 75 rural villages. Approximately 37 350kl of drinking water was supplied to the rural villages across Mkhondo areas during the financial year 2011/2012

2.4.3 ROADS & STORMWATER

A total of 372 Kilometers of gravel streets were re-gravelled or graded.

2.4.4 ELECTRICAL

Constant electrical supply was kept all throughout the financial year under review.

2.5 COMMUNITY SERVICES DEPARTMENT

During the 2010/11 financial year standing Timber to the value of R7.5 million which belonged to the municipality was sold.

A clean up campaign led by the Honourable Executive Mayor Cllr BH Mtshali was organized in order to re-establish the nursery at Mkhondo Municipality.

The municipality further provided households within the community with five thousand refuse bags.

2.6 CORPORATE SERVICES DEPARTMENT

2.6.1 ADMINISTRATION

| | | | Annual Target | | | REASONS FOR DEVIATION | |
|--|---|--|---|--|--------------|---|---|
| INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION | To render effective and efficient legal Services | Provision of legal support services to Municipality and its structures | To have efficient legal services functions To reduce Municipal expenditure on legal and Labour matters | | | More civil claims were received | N/a |
| | To render an effective and efficient Administration support | THE MUNICIPALITY IS ABLE TO REGULATE MATTERS WITHIN ITS AREA OF JURISDICTION | 100% critical By-Laws Promulgated | | Not achieved | No budget to promulgate the by-laws and awaiting CoGTA for assistance | |
| | To render an effective and efficient administration support | streamlined administration functions and promote accountability | 100% Critical policies developed | | | Shortage of personnel | Appoint staff in all critical positions |

| | | | | | | | |
|--|---|---|--|--|--------------|--|--|
| | To develop a credible Delegation Register for Council | Approved delegation register being implemented | Streamlined administration functions and accountability promoted | | 50% achieved | Draft was developed | |
| | To render effective and efficient records Management services | All mail sorted and distributed within one day after receipt | 100% adherence to the requirements of NARS Records Management System installed and end users trained | | 80% achieved | System installed and training conducted. Implementation by users to be monitored in the next financial year. | |
| | Effective and efficient records management | Correspondence filed according to the new filing plan of the municipality | 100% Implementation of the new file plan | | 20% achieved | Registry office not yet fully compliant with requirements of NARS | |

| | | | | | | | |
|--|---|--|---|--|--|--|-------------------------------------|
| | To render Secretariat services to Council | To have quality and credible agendas for Mayoral and Council meetings | 100% well co-ordinated Council secretariat system | | 09 Mayoral (07 Ordinary and 02 Special) 12 Council (Ordinary 08 and 04 Special) meetings were coordinated as per Council Standing orders | Difficulty in adhering to the approved schedule of meetings. | Adherence to the approved schedule. |
| | To render Secretariat services to Council | To have proper tracking system of Council resolutions and implementation thereof | Political oversight. Strengthened. | | | Design and implement proper tracking system. | |
| | Municipal contract management | Proper management of existing contracts | Effective and efficient contract management | | Not all municipal contracts are centrally managed at Corporate Services. | | |

2.6.2 HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT

| Key Performance Area (KPA) | Objectives | PA Indicators | Annual Target | Budget Allocation | Progress Against Annual Target (%) | REASONS FOR DEVIATION | Remedial Action (e.g. intervention or technical support) |
|--|--|--|--|-------------------|--|-----------------------|--|
| INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION | Provision of Education, Training and Development | Councillors and staff trained | 90% of staff and Councillors trained in order to achieve PDP targets. Improved performance of staff and Councillors | | 40% achieved. 12 training programmes were funded by the Municipality. 6 training programmes were funded by other stakeholders. | Lack of funds | |
| | Provision of Education, Training and Development | Provision of learnerships and internships in conjunction with various SETAs, government departments and private sector | Youth engaged in learnerships, internships and other capacity building programmes | | 7 unemployed youth participated in learnerships, 10 unemployed youth participated in the internship programmes . | | |

| | | | | | | | |
|--|--|--|---|--|---|---|--|
| | Provision of Education, Training and Development | Training in line with our IDP objectives | Plan developed and submitted to LGSETA by end June 2012 WSP implemented 100% | | 45% of our WSP was implemented. 12 training programmes were funded by the Municipality and 6 training programmes were funded by other stakeholders. | Funding was channeled to services delivery projects | |
| | Render Employee well being services | Healthy and loyal workforce | 100% Compliance with occupational health and safety statutory requirements | | 15% Achieved | OHS Officer was appointed but needed training. | |
| | Render Occupational Health and safety services | Incidents and accidents in the workplace minimized | 100% Compliance with occupational health and safety statutory requirements | | | | |
| | Promote sound Labour Relations within the work place | A healthy and harmonious labour relations within the workplace | Sitting of monthly LLF meetings | | 100% Achieved | | |
| | HR administration and good governance | Promotion of good corporate governance | 100% implementation of HR policies | | | | |

| | | | | | | | |
|--|---|---|--|--|--------------|--|---|
| | Provision of Recruitment and Selection services | Adequate provision of services to the community | 100% of funded vacant posts filled within 2011/2012 financial year | | 40% Achieved | Insufficient funds | |
| | HR administration and good governance | Promotion of good corporate governance and HR administration | 100% compliance to the SALGBC Collective agreement | | 80% Achieved | | |
| | To promote the culture of performance excellence and productivity amongst all employees and officials | PMS Policy Reviewed by Council and cascading performance management down to all employees | To improve services excellence in terms of services standards improved service delivery and accountability by senior managers and all employees | | 0% Achieved | Performance policy not implemented Service Standards not yet adopted by council PMS Officer to be appointed. | Implementation of PMS Policy by council Adoption of Service Standards by Council |

2.6.3 INFORMATION COMMUNICATIONS TECHNOLOGY

| Key Performance Area (KPA) | Objectives | PA Indicators | Annual Target | Budget Allocation | Progress Against Annual Target (%) | REASONS FOR DEVIATION | Remedial Action (e.g. intervention or technical support) |
|--|--------------------------------------|--|--|-------------------|--|--|--|
| INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION | Render ICT support services | To have effective and efficient ICT system in place | Service provider Appointed and some ICT functions outsourced (e.g. development of the website and ICT infrastructure. to have the municipality's network system, transfer of skills to internal ICT personnel) | | 90% achieved. Website developed, server installed | | |
| | Render HIV & AIDS support programmes | Well informed and responsible youth with regard to Love Life programme | Change of peoples mindset towards HIV/AIDS issues | R300 000.00 | | No designated person appointed to perform the function | |
| | Render disability services | Fully functional structures of people living with disabilities | 100% Compliance to statutory requirements with regards to issues of disability | | 0% Not achieved | | |

| | | | | | | | |
|--|-----------------------------------|---|---|-------------|---------------------------------|--|--|
| | | All Council, Mayoral and Section 79 Committee Meetings recorded and filed as prescribed | 100% of all meetings recorded and filed as prescribed | | All meetings recorded and filed | | |
| | To manage Council pool car system | Effective and efficient implementation of the pool car procedures and processes | Well managed pool car system | | 0 % | No designated person appointed to perform the function | Appoint a warm body who perform the function |
| | Management of departmental budget | Procurement of items budgeted and analyze monthly budget | Well managed departmental budget | | | | |
| | Rental of equipment machinery | Proper management of the existing contracts | Effective and efficient contract management | R530 000.00 | | | |
| | Council support services | Council queries and concerns handled timeously and effectively | Well managed Council support | | 100% achieved | | |

| | | | | | | | | |
|--|-------------------------|-----|--|---|---------------------|--|--|--|
| | Render support services | ICT | Service provider Appointed and some ICT functions outsourced (e.g. development of the website and ICT infrastructure. to have the municipality's network system, transfer of skills to internal ICT personnel) | To have effective and efficient ICT system in place | R600 000.00 MSIG | | 90% achieved. Website developed, server installed | |
|--|-------------------------|-----|--|---|---------------------|--|--|--|

3 CHAPTER 3: HR AND OTHER ORGANISATIONAL MANAGEMENT

3.1 GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

3.1.1 ORGANISATIONAL STRUCTURE

The municipality's organizational structure consists of the following four departments under the leadership of the Municipal Manager:

- Technical Services
- Community Services
- Financial Services
- Corporate Services

The Municipal Manager is the accounting officer of the municipality and is responsible for effective and efficient sound financial management of the municipality.

The total number of employees at the Mkhondo municipality under the leadership of the Municipal Manager on the organizational structure is as follows:

| Organisational Structure | Positions | Filled | Vacant | Budget | Actual |
|--------------------------|-----------|--------|--------|------------|------------|
| Community Services | 291 | 181 | 110 | 20,565,511 | 20,167,084 |
| Corporate Services | 74 | 41 | 33 | 17,198,725 | 12,251,985 |
| Financial Services | 57 | 46 | 11 | 6,863,709 | 6,020,076 |
| Technical Services | 302 | 172 | 131 | 23,406,578 | 20,226,177 |
| Councillors | 38 | 38 | 0 | 6,969,176 | 6,865,156 |
| Total | 762 | 482 | 280 | 75,003,699 | 65,530,478 |

Employee Related Cost

| | 2011/2012 |
|--------------------------------------|---------------|
| Actual Salary Expenditure | 65,530,478 |
| Actual Total Expenditure | 172,972,250 |
| % Salaries visa vi Total Expenditure | 34% |
| Salary budget | 75,003,699 |
| Total budget | R221 702 477. |

3.2 INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

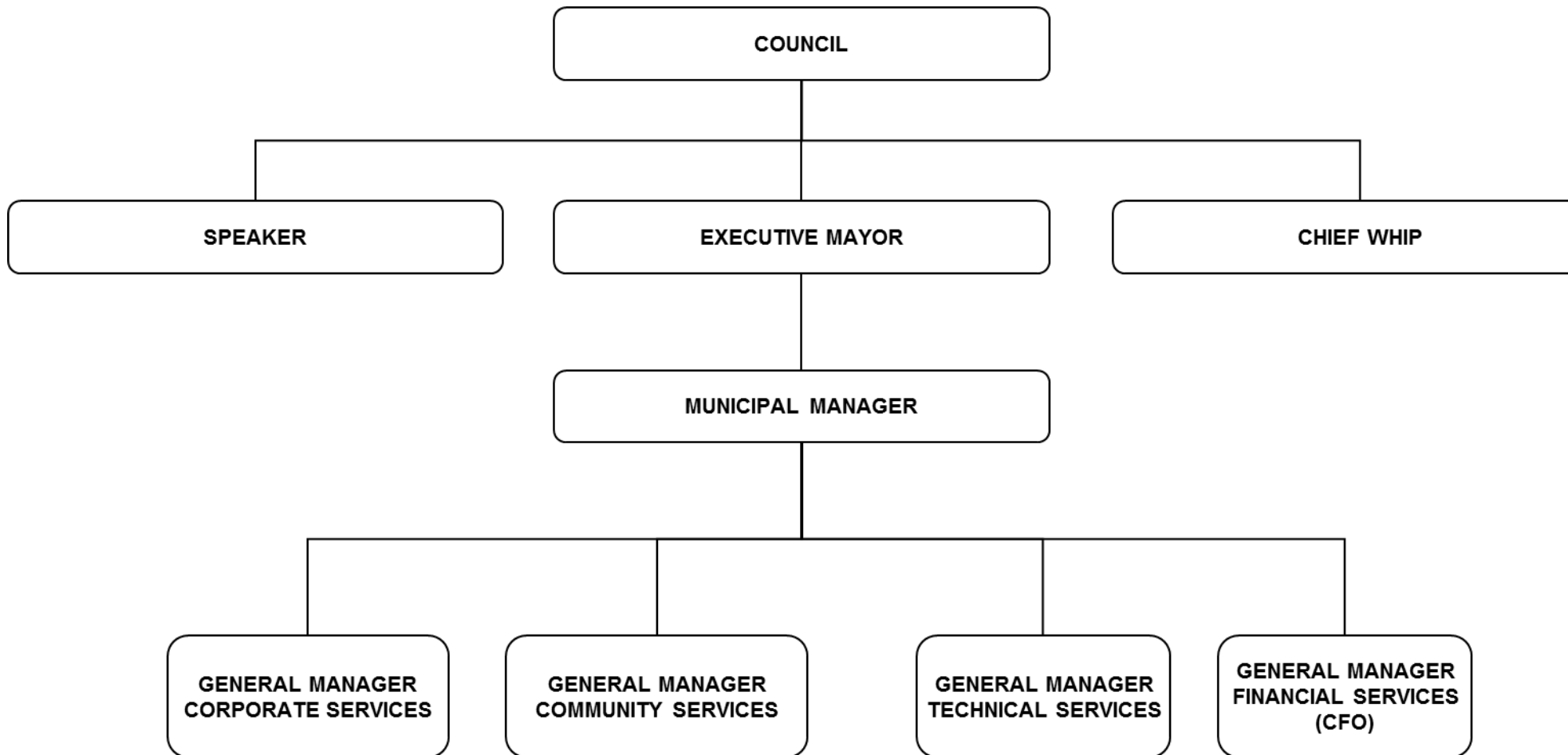
The organizational structure reflects the number of positions that are filled and vacant. Each and every financial year the Municipality reviews the existing structure and identifies critical positions to be filled.

This table indicates the total number of employees at the municipality as at June 2012.

| Function Department | No of Staff |
|---------------------------------|-------------|
| Councillors | 38 |
| Office of the Municipal Manager | 6 |
| Corporate Services | 41 |
| Financial Services | 46 |
| Technical Services | 170 |
| Community Services | 181 |
| TOTAL | 482 |

ORGANOGRAM

The organizational arrangement



3.3 SKILLS DEVELOPMENT PROGRESS REPORT

The Workplace Skills Plan for 2011/2012 with Annual Training Report has been submitted to LGSETA as required by Skills Development Act. For the period July 2011 to June 2012 the following training and development programmes were implemented: An amount of **R237 037.00** was budgeted for all the training of Councilors and Employee and **R112 580** was spent.

| TRAINING | DEPARTMENT | NUMBER OF EMPLOYEES | TOTAL COSTS |
|--|--|---------------------|-------------|
| ABET | Corporate Services, Community Service and Technical Services | 36 | R227 000.00 |
| Cross Examination and Questioning Techniques Workshop | Corporate Services | 2 | R7 182.00 |
| MunSoft | Finance Department | 3 | R28 000.00 |
| Microsoft Certified IT Professional Training Programme | Corporate Services | 2 | R34 000.00 |
| VIP Training | Corporate Services | 2 | R3 190.00 |
| Introduction to SAMTRAC | Corporate Services | 1 | R5 190.00 |
| Trafman Training | License Department | 4 | R36 708.00 |
| Microsoft Excel Training | Technical Services | 2 | R5 879.04 |
| Training in Project Management with Microsoft Project | Technical Services | 4 | R26 440.00 |
| Training in Technical Report Writing | Technical Services | 4 | R22 000.00 |
| Skills Development Workshop | Corporate Services | 1 | R1 989.30 |
| Orbit Training | All Departments | 41 | R94 920.00 |

TRAINING ACHIEVED FUNDED BY GERT SIBANDE DISTRICT MUNICIPALITY, SALGA & COGTA

| | | | |
|--|--------------------|----|------------------------|
| Labour Intensive Methods of Construction | Technical Services | 7 | Funded by Gert Sibande |
| Portfolio Committee Training | Councilors | 32 | SALGA |

| | | | |
|---|--------------------|-----------|-------|
| Gap skill | Corporate Services | 2 | COGTA |
| Training for Local Labour Forum | All Departments | 15 | SALGA |
| IDP Training | Political | 2 | SALGA |
| Certificate in Municipal Governance | Political | 7 | SALGA |

3.4 NEW RECRUIT AND PROMOTIONS

3.4.1 RECRUITMENT

108 employees were recruited in the year 2011/2012.

3.4.2 TERMINATIONS

This table reflects the number of employees and reason for terminating.

| Reason and Number of staff leaving | |
|------------------------------------|----|
| Resignation | 9 |
| Deceased | 9 |
| Pension | 4 |
| Dismissed | 0 |
| End Contract | 6 |
| Total Terminations | 28 |

3.4.3 INTERNSHIPS

In an effort to provide unemployed graduates with practical experience to make them employable, the municipality employed ten (10) Interns in finance through the Municipal Financial Management Grant (MFG) in 2010/2011, six (6) females and four (4) males. Their contracts expired at the end of February 2012. 4 of the Interns were absorbed through the normal recruitment processes.

3.5 EMPLOYMENT EQUITY PROFILE

In trying to improve the employment equity, the employment equity plan is compiled for a period of one year. All adverts for positions reflect that priority will be given to a particular designated group or people with disability and females. The municipality has the workplace skills plan and the annual training report which assist in the skills development of all councilors and employees.

This table indicates our demographic in the municipality per occupational level:

| No. of Municipal Staff employed | Male | Female | Total |
|--|-------------|---------------|--------------|
| Top Management | 5 | 0 | 5 |
| Senior Management | 13 | 4 | 17 |
| Professional (Managerial/Specialists) | 7 | 3 | 10 |
| Field (Supervisory / Foreman) | 37 | 11 | 48 |
| Office (Clerical / Administrative) | 77 | 46 | 123 |
| Non professional (outside workforce) | 151 | 80 | 231 |
| Total Employees | 290 | 144 | 434 |

The following are pension funds and medical aids operating within the municipality.

| Fund | No. of Staff | Council Contribution |
|---------------|---------------------|-----------------------------|
| Bonitas | 68 | 60% |
| Keyhealth | 22 | 60% |
| Hosmed | 11 | 60% |
| SAMWUMed | 11 | 60% |
| MCPF | 29 | 15% |
| SALA | 15 | 22% |
| Gratuity Fund | 200 | 22% |
| MEPF | 39 | 22% |
| SNPF | 42 | 22% |
| NFMW | 134 | 22% |

3.6 INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

Mkhondo Council comprises of different political parties with the African National Congress being the ruling party. In terms of Section 41 of the Constitution, the administration and political office bearers participate in the various Intergovernmental Relations Structures ranging from GSDM Municipal Managers Forum, Mayor's Forum, Speaker's Forum, Chief Whip Forum, Technical Munmec, Premier Co-ordination Forum to name but a few.

3.6.1 COMMITTEES OF COUNCIL

Attendance of Ordinary Council Meetings

| Meetings | Dates | Present | Absent | % attendance |
|----------|---------------|---------|--------|--------------|
| 1 | 17 July 2011 | 35 | 08 | 92% |
| 2 | 23 Sept 2011 | 27 | 11 | 71% |
| 3 | 15 Dec 2011 | 34 | 04 | 89% |
| 4 | 31 Jan 2012 | 32 | 06 | 84% |
| 5 | 03 March 2012 | 31 | 07 | 82% |
| 6 | 30 May 2012 | 32 | 06 | 84% |

Special Council Meetings

| Meetings | Dates | Present | Absent | % Percentage |
|----------|---------------|---------|--------|--------------|
| 1 | 01 Nov 2011 | 34 | 04 | 89% |
| 2 | 07 Dec 2011 | 31 | 07 | 82% |
| 3 | 25 Jan 2012 | 32 | 06 | 84% |
| 4 | 16 March 2012 | 32 | 06 | 84% |
| 5 | 17 April 2012 | 30 | 08 | 79% |

Mayoral Committee

| Meetings | Dates | Present | Absent | % Percentage |
|----------|-------|---------|--------|--------------|
| 1 | | 03 | 00 | 100% |
| 2 | | 03 | 00 | 100% |
| 3 | | 03 | 00 | 100% |
| 4. | | 01 | 02 | 33% |
| 5. | | 03 | 00 | 100% |
| 6. | | 03 | 00 | 100% |
| 7. | | 03 | 00 | 100% |

Special Mayoral Committee

| Meetings | Dates | Present | Absent | % Percentage |
|----------|-------|---------|--------|--------------|
| 1 | | 03 | 00 | 100% |
| 2 | | 03 | 00 | 100% |

3.7 GENERAL INFORMATION

| | |
|---|--|
| Executive Mayor Councillor B H Mtshali Speaker Councillor P C Langa Municipal Manager Mr.A.N Mahlangu Chief Financial Officer Mr. T.D Mabuya | Grading of the Municipality 03 Auditors Auditor- General Primary Banker First National Bank Registered office No 33 Mark Street Civic Centre P O Box 23 Piet Retief 2380 Telephone: (017) 826 8100 Fax:(017) 826 3129 |
|---|--|

General Managers and Senior Managers

| | | |
|---|--|----------------|
| General Manager Technical Services Mr. K.L Mashile General Manager Community Services Mr. A W Nkonyane General Manager Corporate Services Mr. M.J Mkhonza | Members of Council Initials & Surname Cllr V D Nkosi Cllr A T Thwala Cllr NC Ndhlovu | Ward 01 |
| Senior Manager Human Resources Ms L Botha Senior Manager ICT Mr D I Mandiwana Senior Manager Auxiliary & Secretariat Services Mr M Thabede Senior Manager Budget and Reporting Mr K Segooa Senior Manager Electrical Mr A Mambane Senior Manager PMU Ms T Phakathi Senior Manager Water and Sanitation Mr M Jeje Senior Manager Roads, Stormwater and Cemeteries Mr H Nel Senior Manager Expenditure Ms Z Q Mbatha Senior Manager Revenue Mr E Delport Senior Manager Communications and Mayoralities Vacant Senior Manager Town planning & Human | Cllr NS Kambule Cllr T S Nkosi Cllr SS Mathebula Cllr P S Nhlabathi Cllr J L I Brossow Cllr S P Kunene Cllr N B Msuku Cllr M D Ntuli Cllr ZE Mthimkhulu Cllr L V A Mkhwanazi Cllr S R Sangweni Cllr C G Mtshali Cllr Z J Mnisi Cllr K D Masondo Cllr S J Mngomezulu Cllr RJA Wilson Cllr M O Nkosi Cllr JS Methula Cllr M L Yende Cllr M E Phakathi Cllr D M Thwala Cllr B J Vilakazi Cllr N L Nhlengethwa Cllr S C Mtshali Cllr T E Khumalo | |

| | | |
|--|--|--|
| Settlements Vacant Senior Manager IDP/LED & Tourism Vacant Senior Manager Legal Services Ms. W Mahlangu Senior Manager Internal Audit Mr A Ngcobo Senior Manager Solid Waste, Forestry and Parks Mr V Dube Senior Manager Amsterdam and Driefontein Mr S Mngomezulu | Cllr H P Sunkel Cllr T E Motha Cllr V W Masuku Cllr H A Mncube Cllr T G F Nhleko Cllr B T Msuku Cllr S J Nkosi | |
|--|--|--|

CHAPTER 4:

4 AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

4.1 AUDIT COMMITTEE REPORT

4.1.1 CHAIRPERSON OF THE AUDIT COMMITTEE

ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2012

4.1.2 INTRODUCTION

The Audit Committee is pleased to present its report for the year ended 30th June, 2011 in terms of its responsibilities and duties as prescribed by the MFMA and the Audit Charter.

4.1.3 AUDIT COMMITTEE MEMBERS AND ATTENDANCE

In terms of the Municipal Finance Management Act (MFMA) and the Mkhondo Local Municipality's Audit Committee Charter, must consist of a minimum of 3 members who must be external independent members. None of the members may be Councilors.

The Audit Committee consists of the members listed hereunder and meets at least 4 times per annum as per its approved Charter. The Audit Committee members were appointed on the 21 February 2011. During the period under review 5 meetings were covered.

| Name of member | Number of meetings | Designation/ Office bearer | Appointment date |
|-----------------|--------------------|----------------------------|------------------|
| Mr Sam Mthembu | 2 | Chairperson | 21 February 2011 |
| Mr Norman Weber | 2 | Member | 21 February 2011 |
| Dr LT Nevondwe | 1 | Member | 21 February 2011 |

1. Audit Committee's Responsibilities

The Audit Committee's responsibilities are outlined in Section 166(2)(b) of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee has adopted appropriate formal Terms of Reference as its Audit Committee Charter to regulate its affairs in compliance with the Charter and to Discharge all its responsibilities contains therein for 2012/13.

A summary of the Audit Committee's responsibilities in terms of the MFMA and its Charter is that it is responsible for, among other things, the following:

- Advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to
 - a) Internal financial control and internal audits;
 - b) Risk management;
 - c) Accounting policies;
 - d) The adequacy, reliability and accuracy of reporting and information;
 - e) Performance management;
 - f) Effective governance
 - g) Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
 - h) Performance evaluation; and
 - i) Any other issues referred to it by the municipality
- Review the Annual Financial Statements of the municipality;
- Respond to the council on any issues raised by the Auditor General in the audit report;
- Carry out such investigations into the financial affairs of the municipality as requested by council.

The Audit Committee has been appointed recently and has approved the following policies:

- a) Audit Committee Charter;
- b) Internal Audit Charter;
- c) Fraud Prevention Strategy , inclusive plan, policy, control strategies and procedures for investigations;
- d) Risk management Policy and Framework;
- e) Risk Assessment report; and
- f) Rolling 3 years Strategic Internal Audit Plan for the period ending 30 June 2014 and 1 year operational plan for the period ending 30 June 2012.

The internal Audit Plan will be implemented in the new financial year 2012/14 however during the year under review there was no internal audit function, since it has been established in June 2011.

The performance of the Internal Audit Function will be assessed in the new financial year.

The Effectiveness of Internal Controls

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line

with the MFMA and the King 3 Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes

From the Audit Committee meetings with management and the absence of the municipal General Managers, it was noted with great concerns that significant or material non – compliance with the prescribed policies and procedures has been reported.

Accordingly, we can report that the system of internal control for the period under review was not effective due to the absence of General Managers, none staffing of Internal Audit unit and Performance management systems in the municipality.

Evaluation of the Annual Financial Statements

The Audit Committee has:

- Expressed deepest disappointment about the way the financial statements were prepared and noted that there is poor controls in the municipality
- Expressed great concerns with the existing poor financial systems controls in the municipality

Conclusion

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they are making now and in future.

As Audit Committee, we rely request the Council to feel all the critical positions for the municipality. We will be indebted to them for their efficient service and assistance.

MR S. MTHEMBU

Chairperson of the Audit Committee

4.1.4 BUDGET & FINANCIAL REPORTING: STATUS QUO

The first six months of the financial year 2012/13 was marked by some challenges in reorganising and stabilising the administration after the provincial intervention in terms of section 139 of the constitution. In view of a very strong, dedicated and focused current political leadership, the municipality has now fully appointed section 57 managers.

The municipality has had its strategic planning in the first quarter of the current financial year. Each general manager had presented his/her strategic goals and objectives.

Despite the positive spinoffs the municipality sought, the late closure of the billing system has somehow negatively impacted on the cash-flow position. The statements were sent to customers system late as a result of a mix between staff commitment and the degree of inflexibility of the billing system. The situation was exacerbated by the withholding of the equitable share amounting to R33m by National Treasury, and the matter is still under sub-judice. In the main, the withholding of the equitable share will certainly have a devastating effect on our operations and the municipality cannot rely on the debt collection to meet its short term obligations such as salaries.

A roll-over application of R22m was submitted to National Treasury but was declined despite the commitments made to several projects and the payment of electricity amounting to R6m. The latter amount was paid on proviso that the GSDM will refund the amount in terms of the signed MOU. The amount was forfeited because it was budgeted by the District in the previous financial years but a request to roll it over was not made by Mkhondo municipality. The CFO to engage the District's CFO to find another way of securing the R6m through an adjustment budget from the District.

Top management resolved that a cost curtailment approach should be implemented immediately in every department in consideration of the cash flow position the municipality is presently experiencing. In order to tighten our belts, all expenditures

on non-core and non-priority activities have been cut. Existing shortfalls on core and priority activities will soon be addressed through the adjustment budget.

Water and electrical losses are still posed on-going challenges. However a water loss reduction and cost recovery strategies will be implemented in due course in 3 phases starting with the 1st phase in the current financial year.

A revenue enhancement strategy document has been completed and is due for implementation. Areas to focus on will be the billing system, debt-book, areas where revenue losses are occurring, revisiting of rates and tariff policies, etc. It is expected that a turnaround strategy on the aforementioned will be a recipe for an anticipated improved revenue base

4.1.4.1 COMPILATION OF THE ANNUAL BUDGET 2012/13

Mkhondo Local Municipality has compiled their 2011/12 annual budget in the new reporting regulations of schedule A with all the relevant supporting tables for additional financial information. Furthermore, the major challenges were the fact that, the compilation for the new budget format was the first compliance of the municipality wherein Provincial Treasury assisted and verified during the budget submission. Going forward the municipality will be able to continue compiling the annual budget in accordance to the new municipal budget and reporting regulations. Compilation of the annual budget consisted of tariffs and amended changes in budget related policies. Tariff calculation was based on the 4.08 percent CPIX plus 2 percent municipal increase to reach 6% on general expenses and estimated revenue on service charges, however electricity was informed by NERSA approved rate on various electricity consumptions.

Cost per head exercise for personnel audit and payroll was effectively conducted and salaries were benchmarked at SALGA's 3-year agreement for CPIX plus 2% bargaining agreement. The total remuneration budget was R77.3million including councilor's remuneration and their allowances.

4.1.4.2 BUDGET AND FINANCIAL REPORTING

Section 71 were compiled and submitted monthly to National Treasury up until the end of October 2013. This is because of the financial system that is currently behind. Currently, November 2013 is being finalized.

4.1.4.3 SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP for 2010/11 for Mkhondo Local Municipality was not compiled and tabled in Council 28 days after the approval of the 2010/11 annual budget on the 30th June 2010, due to high vacancy in key positions to drive this process of SDBIP compilation and ownership by section 57 managers. The municipality in essence operated throughout the financial year without SDBIP and subsequently, did not comply with the section 69 of the MFMA. However, speedy appointments of section 57 managers will see drastic turnaround in implementation of service delivery measurable and achieving targets as set by the Municipality.

4.1.4.4 INVESTMENTS AND LOANS

The loan repayment obligation for loan capital with DBSA has been effectively managed in terms of the loans schedules from DBSA. The half yearly loan repayments due every September and March, has been the steadily reducing our loan capital from R6.7million in the beginning of the financial year to estimated R5.6million by the end of 30 June 2012.

Although, investment on the other hand, have performed well due to strategic measures in place to invest funds not immediately utilised such the transfers from National Treasury's grants of equitable share and Municipal Infrastructures Grant (MIG), such transfers are deposited in huge amounts of money and gets ring-fenced into call account and corporate maturity investments. In the beginning of the financial year, the municipal investment overall balance was R55million inclusive of all the other different investment portfolios in other major banks and now in this six

months the overall investments balances rose to R77million due to additional R26million and R4.7million from Absa settlement amount totalling to R30million for the month of November 2011.

4.1.4.5 VACANCY IN BUDGET OFFICE

Unfilled post and staff turnover is been a major challenge in the Municipality ranging from a junior clerk to a manager positions. In 2010/11 budget office had serious challenges with absolutely no support of additional staff to manage the entire financial planning and reporting. The Budget and Financial Reporting unit had submitted in the organogram positions to be filled in 2011/12 financial year namely; Senior Clerk Financial Reporting and Senior Clerk Budget Compilation.

Lack of staff in the BFR unit has caused a situation where in non-compliance with MFMA and other pieces of legislation requirements, almost impossible to cope and battling to comply with these legislative requirements for budget and financial reporting.

4.2 MUNICIPAL FINANCIAL VIABILITY

BUDGET PERFORMANCE ANALYSIS

Operating Revenue

The revenue collection amount of R131.3million (55.6 percent) for the first half of the financial year includes the grants allocations already received from National Treasury against the R236.3million total revenue budgeted for the 2011/12 financial year. Therefore, a slight revenue recovery in the projected revenue would be recommended.

Revenue projection on all major trading services is slightly below par as compared to the pro-rata revenue anticipated on month six, which is a worrying indication of continuous non collection of billed services. However, zooming into water collection, a slight improvement of revenue collection just over (60 percent) performance which is the great recovery for the six months. Nevertheless, in other major trading services, this should not be great concern as revenue collection might improve later in the year as the cut-off measure is implemented.

Revenue collected from the conditional grants (MSIG and FMG) have been received in full at the beginning of the financial year, whereas the MIG and the Equitable Share are transferred quarterly and the portion reflected excludes the free basic services as

it is already accounted for in the trading services revenue. National Treasury imposed penalties to a tune of R6 million in July 2011 on equitable share allocation due to poor past performances and non-compliance with the conditions of DoRA on conditional grants such as MIG, FMG and MSIG.

Forestry on the other hand, has received a major boost after tender for harvesting started yielding fruits for the first time in 3 years of forest plantation, an amount of R6.7million was received in August from forest contractors. This trading service going forward will be a cornerstone to see much anticipated revenue boost in future if proposed management and quick decision making is followed. However, the possibility for outsourcing the forest business unit is still high in the agenda of our principals to conclude on a proposal to outsource this function through the creation of a municipal entity. This approach is expected to yield positive results in the form of heightened efficiencies to this business which is non-core in the municipal context.

Operating Expenditure

The total budget for the salaries, wages and allowances included new positions of Sec 57 and other vacancies is budgeted at R77.3million; however, the low salary bill for most parts of the financial year has been experienced with 46.3 percent up to mid-year actual. Overtime and standby allowance costs have been drastically reduced. The major concern is the regular expenditure incurred on fleet. Every day there is breakdown taking place and no one is controlling and confirming the authenticity of these breakdowns. The cost of repairing a tyre is abnormally and extremely high with unnecessary added costs of callouts and kilometres travelled. Major concern from the employee cost is the ever rising cost of overtime and stand-by allowance, proper management controls will need to tighten to reduce the expenditure on these budget items. The recent appointment of section 57 in Technical Services and the looming appointment in Corporate Services will see a movement of actual on the salary budget for the General Managers.

Drastic analysis was performed to correct the cost per head and also identifying some of the crucial positions to be filled and thus the recent appointments of permanent staff that was on contractual or temporary basis in September 2011. An adjustment budget will address some of the crucial unfunded vacancies that existed internally in the service delivery departments.

With bulk purchase on electricity, the budget allocation R62.5million has the actual expenditure of R36.6million a concerning 58.5 percent over-expenditure, readjustment of the budget will have an impact on the current allocation and also to cater for the annual increment of the power utility (Eskom) for the proposed 30 percent estimate.

38.6 percent has been reported since the start of this financial year due to strict monitoring of repairs and maintenance. This is in line with National Treasury's appeal to reduce repairs and maintenance at municipalities, although much work is needed to renovate and repair some of the assets infrastructures at plants and boreholes. A

turnaround would be reinforced through more hand-on management of this key area of municipal service delivery.

Capital Expenditure

The goals and objectives of the Project Management Unit (PMU) within Mkhondo Local Municipality is to provide infrastructure targeting the poor, maximizing economic benefit by means of creating employment and to ensure that funds are effectively and efficiently utilized. The municipality can achieve its objectives by focusing on its backlogs as tabled by the Integrated Development Plan (IDP).

Mkhondo Local Municipality is a rural municipality and facing the following challenges:

- Lack of access to clean drinking water, some communities depends on streams and rivers which are often shared with livestock.
- Lack of sanitation services such as toilets
- Lack of proper shelter
- Lack of electricity
- Lack of proper access roads, etc.

The municipality was allocated R 48 703 000. 00 for the 2011/12 financial year for the implementation of infrastructure projects within our municipality.

On the 25th of July 2011 MIG made the first transferred of R 24 352 000.00 into the municipal account. The actual expenditure as at the end of December 2011 year-to-date was R15 529 385. 71, which reflects a percentage spent against budget of 32% on the allocated funding for the municipality.

ACTUAL EXPENDITURE YTD vs. CAPITAL BUDGET

| Month | Accumulative Expenditure | Monthly Budget (Ideal) |
|--------------|---------------------------------|-------------------------------|
| Jul-11 | R 5 037 672.16 | R 4 058 583.33 |
| Aug-11 | R 1 997 515.29 | R 4 058 583.33 |
| Sep-11 | R 3 589 844.62 | R 4 058 583.33 |
| Oct-11 | R 91 538.56 | R 4 058 583.33 |
| Nov-11 | R 3 298 155.68 | R 4 058 583.33 |
| Dec-11 | R 1 514 659.40 | R 4 058 583.33 |
| Jan-12 | | R 4 058 583.33 |
| Feb-12 | | R 4 058 583.33 |
| Mar-12 | | R 4 058 583.33 |
| Apr-12 | | R 4 058 583.33 |
| May-12 | | R 4 058 583.33 |
| Jun-12 | | R 4 058 583.33 |
| Total | R 15 529 385.71 | R 48 702 999.96 |

FINANCIAL PERFORMANCE

Cash Flow

The cash collections are in line with the debt collection policies which are proving to be effective. In some months, collections are higher than revenue billed for the particular month as a result of collection for prior periods. This, therefore, is in line with the assumptions that revenue of R22.6 million which relates to rates will be collected by the municipality.

| Cash and Cash Equivalants | | | | 1-Jul-12 | 31-Oct-12 | Grant Dependency of Income and Capital Exp | |
|---|--|--|--|---|-------------|---|------------|
| (Source: Financial Statements) | | | | | | | |
| Cash Book Balance | | | | -3,010,896 | 4,218,662 | | |
| Current Bank Account | | | | 2,807,941 | 2,084,802 | | |
| Investments | | | | 59,407,104 | 41,828,077 | | |
| Surplus (Deficit) for the year up until 31 October 2012 (12/13) | | | | R | 12,870,233 | | |
| Accumulated Surplus October 2012 only (Deficit) Surplus | | | | R | -11,919,997 | | |
| Equitable Share allocated | | | | R | 41,811,000 | 17% | Percentage |
| MIG Allocation | | | | R | 11,790,000 | 16% | Percentage |
| Cash Flow | | | | (1 July 2012 to 30 October 2012) | | | |
| Opening Balance | | | | R | 3,076,584 | | |
| Plus: Receipts (Income) | | | | R | 37,109,616 | | |
| Less: Payments (Expenditure) | | | | R | 35,967,538 | | |
| Closing Balance | | | | R | 4,218,662 | | |

Bank balance as at 01/12/2012 amounted to R25,712,582.57, whilst the closing balance as at 31/12/2012 was R2,355,602.74

Debt Management

Debtors Age Analysis per category as at 31 December 2011

| Detail | 0 - 30 Days | 31 - 60 Days | 61 - 90 Days | 91 - 120 Days | 121 - 150 Days | 151 - 180 Days | 181 Days - 1 Year | Over 1 Year | Total - |
|--|------------------|------------------|------------------|------------------|-------------------|----------------------|-------------------------------|-------------------|-------------------|
| Debtors Age Analysis By Income Source | | | | | | | | | |
| Water Tariffs | 989,702 | 640,740 | 505,360 | 666,760 | 12,282,120 | | | | 15,084,682 |
| Electricity Tariffs | 1,888,020 | 1,420,982 | 953,053 | 1,012,313 | 7,730,582 | 0 | 0 | 0 | 13,004,950 |
| Rates (Property Rates) | 1,269,039 | 894,268 | 771,158 | 643,345 | 17,763,075 | 0 | 0 | 0 | 21,340,885 |
| Sewerage / Sanitation Tariffs | 348,630 | 245,131 | 206,443 | 180,668 | 9,319,630 | 0 | 0 | 0 | 10,300,502 |
| Refuse Removal Tariffs | 522,582 | 413,489 | 376,395 | 350,534 | 12,198,847 | 0 | 0 | 0 | 13,861,847 |
| Housing (Rental Income) | 20,301 | 12,443 | 12,431 | 10,930 | 880,626 | 0 | 0 | 0 | 936,731 |
| RSC Levies | | | | | | 0 | 0 | 0 | 0 |
| Other | 760,433 | 874,190 | 807,470 | 769,897 | 16,855,709 | 0 | | | 20,067,699 |
| Total By Income Source | 5,798,707 | 4,501,243 | 3,632,310 | 3,634,447 | 77,030,589 | 0 | 0 | 0 | 94,597,296 |
| Debtors Age Analysis By Customer Group | | | | | | | | | |

| | | | | | | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|-------------------|----------|----------|----------|-------------------|
| Government | 322,993 | 312,442 | 276,920 | 280,948 | 2,163,263 | 0 | 0 | 0 | 3,356,566 |
| Business | 1,689,621 | 1,213,755 | 755,435 | 529,789 | 6,027,703 | 0 | 0 | 0 | 10,216,303 |
| Households | 2,094,522 | 1,652,327 | 1,495,547 | 1,493,409 | 39,664,951 | 0 | 0 | 0 | 46,400,756 |
| Other | 1,691,571 | 1,322,719 | 1,104,408 | 1,330,301 | 29,174,672 | 0 | 0 | 0 | 34,623,671 |
| Total By Customer Group | 5,798,707 | 4,501,243 | 3,632,310 | 3,634,447 | 77,030,589 | 0 | 0 | 0 | 94,597,296 |

The municipality's debtor's book shows a balance of R103.6 million as at 31 December 2012. Residential/Households are the highest contributor sitting with R46.4 million (49.1 percent). As per income source, Property rates lead by R21.3 million (22.5 percent) followed by water at R15.1million (16 percent) and Electricity and Refuse removal both share an amount of R13.8million (14.6 percent) respectively. Piet Retief is the municipality's high source of revenue. The high percentage as compared to others is as a result of the high R50 000 rebate the municipality grants to the users.

The management has drafted a submission to Council recommending an approval to write-off R35 million of its debt. Although, an amount of R16 million which relates to the rates would be collected through our Debt collectors, going forward the credit control will have to be tighter to encourage more ratepayers to do the right thing, and pay their dues to the municipality.

CREDITORS & SUPPLY CHAIN MANAGEMENT UNIT STATUS QUO

CREDITORS/ ACCOUNTS PAYABLE

This is a critical liaison section between the Municipality and the third parties in terms of paying Creditors and other parties for the service rendered. All payments needs to be paid promptly on stipulated times. Challenges experienced within this section includes, inter alia:

- Unavailability of Budget (exhaustive votes) within votes,
- Shortage of staff which leads to non-segregation of duties
- Budget is not aligned with expenditure votes, which results in unauthorized expenditure
- VIP is not interfaced with Munsoft

TURN AROUND STRATEGY

The issue of unauthorized budget regarding compensation of employees has been addressed by office of the Budget with the assistance of Treasury. The issue of operating budget not aligned with expenditure will be addressed during budget adjustment. One posts for Senior Salaries Clerk has been advertised.

SUPPLY CHAIN MANAGEMENT

The Unit is considered to be the most critical in the Directorate and the Municipality in its entirety. This Unit as a support unit to the Departments needs to be fully equipped with resources (including Human Resource or Capital). However these challenges are currently experienced and needs to be overcome to obtain optimum functionality.

- Inadequate and shortage in the support staff in demand and acquisition,
- The current staff are mainly temporary and only one permanent, this means
- There is skills shortage within the current staff,
- No dedicated Senior Manager for this function,
- Asset sub-division is under staffed as it operates with one Senior Clerk, and temporary staff that is currently assisting,
- Training with the current Financial System (Munsoft).

A prompt response to these shortcomings will definitely see an improved and efficient Unit

CHAPTER 5:

5 FUNCTIONAL AREA SERVICE DELIVERY REPORTING

5.1 INTEGRATED DEVELOPMENT PLANNING

5.1.1 INTRODUCTION

Section 25 (1) of the Local Government: Municipal Systems Act 32 of 2000 stipulates that 'each municipal council must, within a prescribed period after its elected term, adopt a single, inclusive and strategic plan for the development of the municipality'. The Mkhondo Local Municipality has completed its 2011 - 2016 cycle of Integrated Development Plan (IDP). Therefore, this IDP represents a new cycle from 2011 to 2016 financial years.

The above section also mentions that an Integrated Development Plan has the following functions:

- (a) Links, integrates and coordinates plans and takes into account proposals for the development of the municipality;
- (b) Aligns the resources and capacity of the municipality with the implementation of the plan;
- (c) Forms the policy framework and general basis on which annual budgets must be based;
- (d) Complies with the provisions of this Chapter (chapter 5 of the above Act); and
- (e) Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.

Section 34 of the Systems Act further requires that a municipality must review its IDP annually based on the assessment of its performance measurement and the extent that changing circumstances so demand.

Mkhondo IDP Review for 2011-2012 was adopted in June 2011. The approved IDP provided guidance on the implementation of strategic objectives of the municipality, namely:

- Objective one:

To provide adequate, sustainable service delivery infrastructure

- Objective two:

To provide effective, affordable and accessible community services to all

- Objective three:

To provide safety and security services to the communities of Mkhondo

- Objective five:

To ensure sound corporate governance

5.1.2 THE 2011/2012 IDP REVIEW PROCESS

In order to review the IDP for 2011-2012, the IDP process plan was adopted by Council in August 2011. The IDP Review of 2011-2012 followed this set process encapsulated in the adopted process plan – as it is required by the Municipal Systems Act of 2000.

Although the Municipality had some challenges of resignation of the Senior Manager IDP/LED & Tourism in January 2012. The process started with public consultation meetings in all the 19 wards of the municipality, which had to take place 01 November 2011 and March – April 2012. A community participation report was compiled, containing all the important needs and priorities for development of all the wards. The IDP also included programmes and projects implemented by other stakeholders, primarily provincial departments. Notable was the Comprehensive Rural Development Programme (CRDP) led by the Office of the Premier.

5.1.3 INSTITUTIONAL ARRANGEMENTS, THEIR ROLES AND RESPONSIBILITIES

IDP Steering Committee

The municipality had an IDP Steering Committee as stipulated by the Municipal Systems Act, the municipality should have a vibrant and active committee to scrutinize all developmental needs of the municipality and hence prioritize upon. The IDP manager is an official of the municipality assigned the responsibility of championing the IDP process. The main functions are management and coordination of the preparation of the IDP process.

A Steering Committee is instituted to act as an internal technical support team to the IDP Representative Forum, the Municipal Manager and the IDP Manager. The steering committee comprised of the following:

- Municipal Manager
- IDP Manager
- General Managers
- Technical Services
- Community Services
- Financial Services
- Corporate Services
- Town Planning
- Project Management Unit
- Human Settlements

This Steering Committee should be reconstituted for each review cycle of the IDP.

5.2 IDP REPRESENTATIVE FORUM

The IDP Representative Forum (IDP Rep Forum) is constituted as part of the preparation phase of the IDP and will continue its functions throughout the annual IDP Review process. The composition of the IDP Rep Forum is as follows:

- Executive Mayor
- Members of the Mayoral Committee
- Municipal Manager
- General Managers
- Senior Manager IDP
- Traditional Authority
- Ward Councillors
- Ward Committees
- Community Development Workers
- HODs for departments within Mkhondo Municipality
- Regional representatives of the National & Provincial departments

- Parastatal Representatives Kangra Coal (Pty) Ltd, Mondi, SAPPI, PG Bison, Eskom, TWK etc.
- Representatives from CBOs, NGOs and Business Forum
- Representatives from Religious organizations
- Political Parties participating in the Council
- Representative for People with Disabilities
- Business Chamber

The table below reflects different roles played by different stakeholders:

Roles played by the respective stakeholder:

| ROLE PLAYER | ROLES & RESPONSIBILITIES |
|---------------------------------------|---|
| COUNCIL | <ul style="list-style-type: none"> • Final decision – making, and • Approval of the IDP documentation including the process followed thereto. |
| Executive Mayor and Mayoral Committee | <ul style="list-style-type: none"> • Decision on the process plan for IDP Review • Overall management, co-ordination, monitoring of the review process and may assign some responsibilities to the municipal manager • Submit reviewed IDP Framework and draft IDP to council • Develop terms and criteria for the Representative Forum |

| | |
|------------------------|---|
| Municipal Manager | <ul style="list-style-type: none"> • Guides the planning process • Monitors the process • Overall management and co-ordination |
| IDP Steering Committee | <ul style="list-style-type: none"> • Process Plan management • Provide the information required to the IDP Process • Meaningful participation in the public participation process through presentations and reporting on progress made on the implementation of projects • Liaison with the external stakeholders • Allocation of duties and monitoring • Decision on roles and responsibilities • Identification of stakeholders in consultation with other role players • Manage draft action programme • Commission research studies and recommend appointment of service providers |
| IDP Rep Forum | <ul style="list-style-type: none"> • Represent the municipality's constituency in the IDP process • Provide an organizational mechanism for discussion, negotiation and decision making between the stakeholders inclusive of municipal government • Analyze issues, determine priorities, negotiate and reach consensus • Make recommendations on planning issues to the municipal council • Monitor the performance of the planning and implementation process |

5.3 INTEGRATED DEVELOPMENT PLANNING

Integrated Development planning process

| IDP approved by Council and implemented | Is the approved IDP seen as the single, inclusive and strategic plan for the municipality | Does the IDP include all core components (MSA) | Were community needs prioritized at ward level | as the SDF approved (date) prior to IDP approval by Council | Were sectoral plans prepared and included in the IDP (Names / #) | Was the IDP prepared within set timeframes |
|---|---|---|--|---|--|--|
| Yes | Yes | Yes ,beside few sector plans such as LUMS; Comprehensive Infrastructure Plan, Water Sector Development Plan, LED strategy | Yes | No, the municipality did not have the SDF/LUMS of its own, instead it used the SDF of the District, but no LUMS | Yes, beside those that are mentioned in the third column | Yes |

5.4 PROJECT MANAGEMENT UNIT (PMU)

5.4.1.1 MIG ALLOCATION FOR 2010/11 FY

Mkhondo Local Municipality received an allocation amount of R 48,703,000.00 for the 2011/12 financial year for the implementation of infrastructure projects. The expenditure as at the end of June 2012 was R 35 675 411.95, which interprets to 73.25% of the allocated funding for the municipality.

5.4.1.2 BUDGETED

The following were budget figures against the list of MIG registered project during 2010/11 financial year:

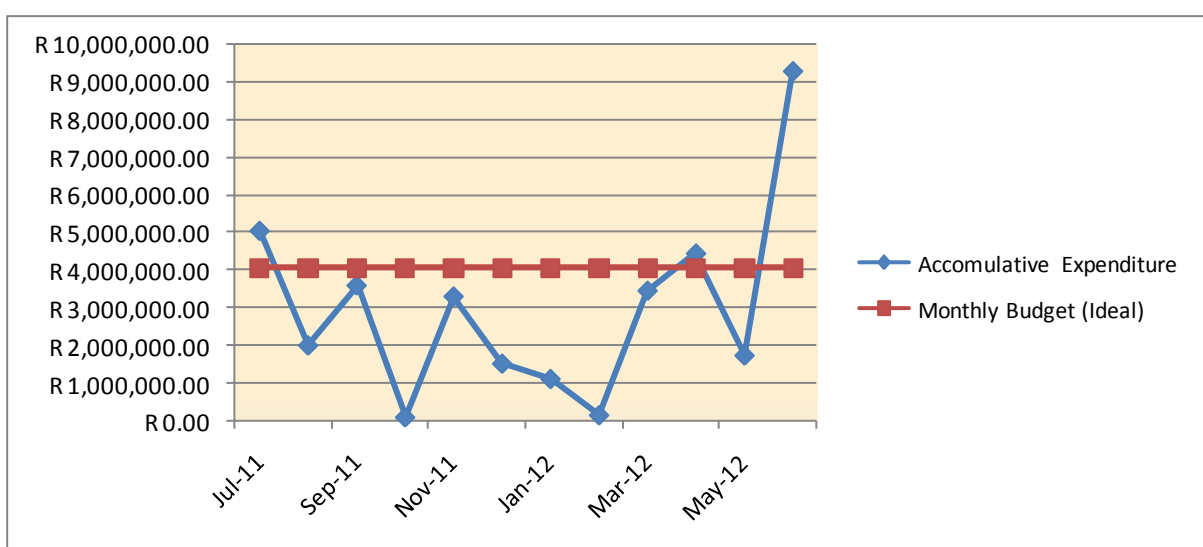
| National Project Number | Project Name (incl. Sub-Place) | A | D | E | F | G | | G | H |
|-------------------------|---|--------------------------|--|--------------------------------------|---|--|--|--|--|
| | | Total Project Cost (B+C) | Total Actual Expenditure on Previous Allocations | Balance remaining on project (A - D) | Budgeted MIG Funds (2011-2012) Financial Year | Total Actual Expenditure (2011-2012) financial year on MIG funds | | Budget for Roll-over from (2010/2011) FY | Expenditure on Roll-over from 2010/2011 FY |
| MIG/MP044 9/W/03/12 | Construction of Bulk Water Supply Kwangema | R 26,006,465.00 | R 26,098,597.42 | R -92,132.42 | R -20,900,000.00 | R - | | R - | R - |
| MIG/MP066 8/W/07/10 | Installation of Water Reticulation in eThandukukhanya Ext 6 & 8 | R 20,056,052.32 | R 2,036,314.53 | R 18,019,737.79 | R 100,000.00 | R 58,897.86 | | R - | R - |
| MIG/MP006 69/S/07/09 | Extention of Piet Retief WWTW | R 37,606,169.90 | R 3,422,020.81 | R 34,184,149.09 | R 7,069,351.95 | R 366,691.97 | | R - | R - |
| MIG/MP006 67/S/07/08 | Nkonjaneni Water Borne Sanitation | R 13,979,145.00 | R 7,244,718.22 | R 6,734,426.78 | R 7,254,880.00 | R - | | R 6,404,315.58 | R 5,770,298.17 |
| MIG/MP110 2/S/11/14 | Installation of VIP Toilets | R 45,402,274.08 | R - | R 45,402,274.08 | R 10,000,000.00 | R 2,188,801.74 | | R 9,000,000.00 | R 8,337,645.43 |

| | | | | | | | | |
|-------------------------------|---|------------------|-----------------|------------------|-----------------|---------------------|-----------------|-----------------|
| MIG/MP108 8/CL/11/13 | Installation of High Mast Lights | R 20,528,372.08 | R - | R 20,528,372.08 | R 4,800,700.00 | R 1,622,020.32 | R 3,025,302.32 | R 3,178,583.52 |
| MIG/MP057 0/R,ST/07/1 1 | Bus and Taxi Route in kwaThandeka | R 27,500,000.00 | R 22,753,898.42 | R 4,746,101.58 | R 11,116,514.87 | R 6,265,953.83 | R 116,514.87 | R 850,561.03 |
| MIG/MP057 1/R,ST/07/1 1 | Bus and Taxi Route in eThandukukhanya | R 40,557,000.00 | R 30,012,489.59 | R 10,544,510.41 | R 24,900,000.00 | R 22,834,069.4 9 | R 1,940,074.46 | R 2,349,119.08 |
| MIG/MP110 1/F/11/14 | Fencing of Municipal Infrastructure | R 8,557,966.00 | R - | R 8,557,966.00 | R 2,000,000.00 | R 958,505.72 | R - | R - |
| | PMU Management | R 1,619,800.00 | R - | R 1,619,800.00 | R 1,948,120.00 | R 1,380,470.02 | R - | R - |
| MIG/MP049 /W/06/08 | Upgrading of main bulk supply pipeline in Piet Retief | R 9,260,000.00 | R 5,829,655.70 | R 3,430,344.30 | R 413,792.76 | R - | R 413,792.77 | R 413,792.77 |
| | | R 251,073,244.38 | R 97,397,694.69 | R 153,675,549.69 | R 48,703,359.58 | R 35,675,410.9 5 | R 20,900,000.00 | R 20,900,000.00 |

5.4.1.3 EXPENDITURE

| Month | Projected Cash | Expenditure |
|----------------|------------------------|------------------------|
| July 2011 | R 4,058,583.33 | R 38,947.64 |
| August 2011 | R 4,058,583.33 | R 519,570.59 |
| September 2011 | R 4,058,583.33 | R 1,814,578.31 |
| October 2011 | R 4,058,583.33 | R 287,573.09 |
| November 2011 | R 4,058,583.33 | R 243,349.24 |
| December 2011 | R 4,058,583.33 | R 377,779.52 |
| January 2012 | R 4,058,583.33 | R 1,075,344.42 |
| February 2012 | R 4,058,583.33 | R 1,360,593.69 |
| March 2012 | R 4,058,583.33 | R 139,108.86 |
| April 2012 | R 4,058,583.33 | R 2,366,066.96 |
| May 2012 | R 4,058,583.33 | R 3,480,652.85 |
| June 2012 | R 4,058,583.33 | R 2,717,963.38 |
| Total | R 48,702,999.96 | R 14,421,528.55 |

The graph below indicate the expenditure pattern for the 2011/12 Financial Year



5.5 BASIC SERVICE DELIVERY AND PERFORMANCE HIGHLIGHTS

This section gives highlights of the performance of the four departments during 2011/12. The report covers the four divisions within the department which are:

- Project Management Unit
- Water and Sanitation Division
- Roads and Stormwater Division
- Electrical Division

The report aims to give an overview of what activities were carried out during the financial year under review. The development of infrastructure projects are all managed by Project Management Unit (Units) and all other division are mainly focused on operations and maintenance of infrastructure.

5.5.1 WATER AND SANITATION DIVISION

Mkhondo LM has basically four water supply schemes across the jurisdiction area of Mkhondo lm, namely:

- Amsterdam water scheme,
- Driefontein water scheme,
- Piet Retief water scheme and
- Rural Water supply scheme

5.5.1.1 AMSTERDAM WATER SCHEME

5.5.1.1.1 PURIFIED WATER SUPPLIED TO AMSTERDAM COMMUNITY

The Amsterdam Water Treatment Plant is located on the north eastern side of the town. Raw water is abstracted from the Dorps Dam on the Thole River.

The plant is serving a present population of approximately 9 427 residents with an estimated water demand of 2 373 kl/day. The existing plant was recently extended to 6 300 kl/day.

2,208,250 kl of purified water was pumped to the community of Amsterdam and the surrounding during the financial year 2011/2012.

5.5.1.1.2 WATER NETWORK/RETICULATION SYSTEM

The network for both sewer and water comprised of approximately 146Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012), 5630 Complaints related to water leaks, sewer blockages were repaired 185 and 28 households were connected with water and sewer respectively.

5.5.1.2 PIET RETIEF WATER SUPPLY SCHEME

5.5.1.2.1 PURIFIED WATER SUPPLIED TO PIET RETIEF COMMUNITY

Piet Retief water supply scheme consist of two water treatment plants with a combined capacity of 12.4Ml/day. Both water treatment plants are situated on the banks of the Assegai River, from where raw water is abstracted for treatment. The treatment plants serves a community of approximately 45 000 residents.

Approximately 3, 575, 540Kl of treated clean water was made available to the community of Piet Retief and the surroundings for consumption.

5.5.1.2.2 WATER NETWORK/RETICULATION SYSTEM

The network for both sewer and water comprised of approximately 244Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012) 8 600 Complaints related to water leaks, sewer blockages were repaired, 352 and 44 households were connected with water and sewer respectively.

5.5.1.3 DRIEFONTEIN WATER SUPPLY SCHEME

5.5.1.3.1 PURIFIED WATER SUPPLIED TO DRIEFONTEIN COMMUNITY

Driefontein water supply scheme consist of one water treatment plant which receives raw water from the Heyshope Dam and is located towards the south west of the dam. The plant has a capacity of 7 500 kl/day and provides water to the communities of kwaNgema North and Driefontein with an estimated population of approximately 33 220 and a current water demand of approximately 4 328 kl/day.

2, 463, 750kl of purified water was supplied to the community of Driefontein and the surroundings during the financial year 2011/2012.

5.5.1.3.2 WATER NETWORK/RETICULATION SYSTEM

The network for water comprised of approximately 168Km of pipelines is maintained by the maintenance team (Plumbers).

During the previous financial year (2011/2012), 3120 complaints related to water leaks were repaired 161 households were connected with water.

5.5.1.4 RURAL WATER SUPPLY SCHEME

Mkhondo LM uses several methods in supplying the rural villages within the Mkhondo jurisdiction area which are:

- Boreholes and
- Water tankers

5.5.1.4.1 BOREHOLES

Approximately 365 boreholes are operated and serviced by our borehole maintenance team. Approximately 2320 complaints related to mechanical faulty were repaired. Approximately 640 000kl of drinking water were made available to rural villages for consumption during the financial year 2011/2012.

5.5.1.4.2 WATER TANKERS

The municipality has four water tankers that supplies water to 75 rural villages. Approximately 37 350kl of drinking water was supplied to the rural villages across Mkhondo area during the financial year 2011/2012.

5.5.1.5 DRINKING WATER QUALITY

The municipality has tighten its water quality monitoring programme by entering into annual contract with GSDM Water Testing Laboratory for monthly compliance monitoring of drinking water samples collected across Mkhondo LM (i.e. sampling area coverage is approximately 80% of Mkhondo Jurisdiction area). The municipality has also established its own water testing laboratory for operational purpose.

5.5.1.5.1 WATER QUALITY OVERVIEW

During the 2011/2012, over two hundred and seventy (270) water samples were taken. The samples were taken from different positions of water supply schemes which include the treatment plants, reservoirs, household taps and boreholes and over 4860 analysis were undertaken from those samples.

Only four (4) sample points failed to comply with class I of SANS 241:2006 and the other 266 samples complied with Class I of SANS 241 and thus equates to over 99% compliance.

| | |
|----------------------------|-------------------------------------|
| Acceptable (Green) | 266 sample points or 99% compliance |
| Needs attention (Yellow) | 4 sample points |
| Failure Aesthetic (Orange) | 0 sample points |
| Failure health Max (Red) | 0 sample points |

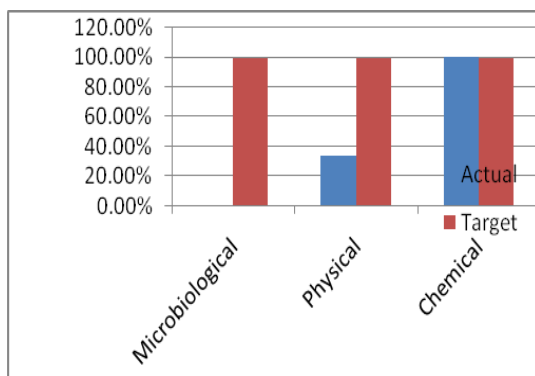
The sample points that needs attention, marked yellow (i.e. failed to comply with Class I of SANS 241:2006) falls within the Rural water supply schemes in Rustplaast and Thokozani area and the caused being the poor sanitation systems in those rural nodes.

5.5.1.5.2 WASTE WATER QUALITY OVERVIEW

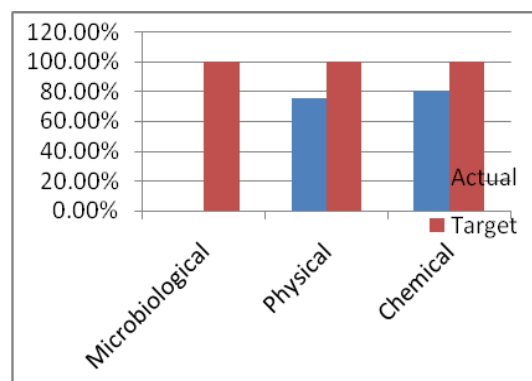
The municipality is unfortunately facing some infrastructural challenges which are ultimately the main cause for the underperformance in terms of Wastewater quality compliance. Amsterdam Wastewater Treatment Works has been a victim of vandalism and theft since its inception meanwhile Piet Retief Wastewater Treatment Works has most of the mechanical equipments that has passed economic life, in addition the plant operates beyond its design capacity.

Over 207 analyses were conducted on the effluent of both Piet Retief and Amsterdam Waste Water Treatment Works, since the inception of agreement between Mkhondo Local Municipality and Gert Sibande District Municipality Water Testing Laboratory in September 2011 for both Amsterdam and Piet Retief Wastewater Treatment Works and the results are as follows:

Amsterdam Waste water Treatment

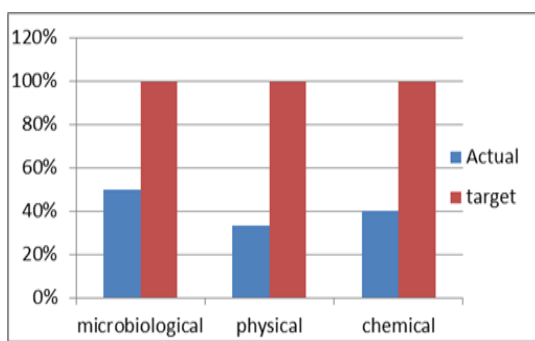


September 2011

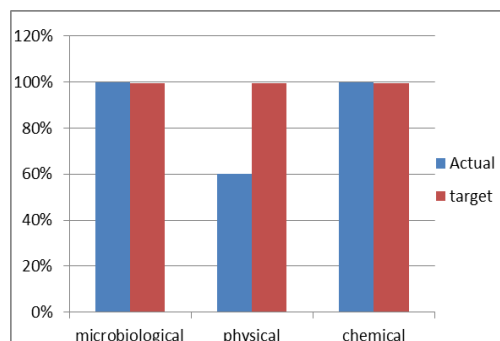


April 2012

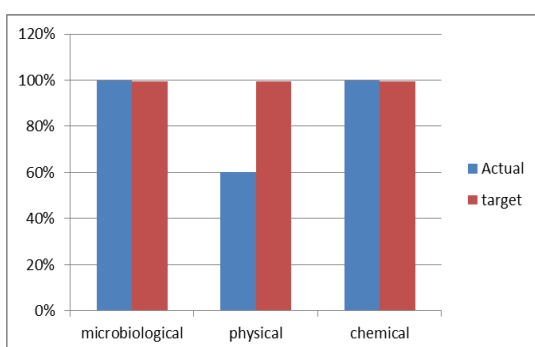
Piet Retief Waste water Treatment



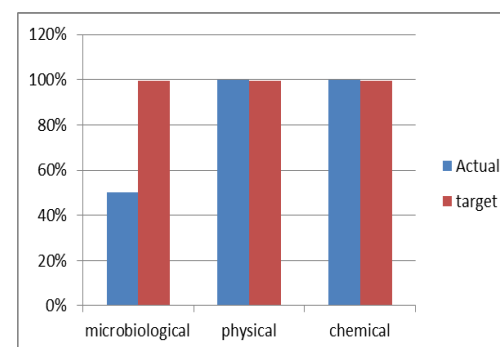
October 2011



January 2012



March 2012



May 2012

5.5.2 ROADS AND STORM WATER DIVISION

The division focuses on maintenance of roads/streets, construction and maintenance of storm water drainages and also offers assistance in digging of graves at the cemeteries and grading of sports fields. During the year under review the Roads & Storm water division also faced with many challenges which the greatest challenges has been lack of Small Construction Plant and tools.

5.5.2.1 ROADS/STREETS RE-GRAVELLING & GRADING

A total of 372 Kilometers of gravel streets were re-gravelled or graded.

Pavement and walk ways were leveled and repairs done all throughout Mkhondo Municipality areas for the year under review

5.5.2.2 PATCH WORK

The patching of potholes continued all throughout the year under review and quantities were not recorded.

5.5.2.3 STORM WATER

Numerous storm water systems were reopened throughout the year under review.

5.5.2.4 CEMETERIES

A total of 305 graves were prepared in cemeteries around Mkhondo Local Municipality. 346 slabs were casted.

The divisions also assisted with mass refuse removal and also during cleaning up campaigns that were held including the daily of the refuse dump site.

5.5.2.5 SPORT FIELDS

A total of 13 Sports fields were leveled and graded

5.5.3 ELECTRICAL DIVISION

5.5.3.1 ELECTRICAL NETWORK

5.5.3.1.1 STREET-LIGHTS

| Fitting Replaced | Pole Replaced | Streetlights Installed |
|------------------|----------------|------------------------|
| 20 X Piet Retief | 7x Piet Retief | 30 |
| 15 x Amsterdam | 10x Amsterdam | 0 |

5.5.3.1.2 NETWORK

5.5.3.1.3 HIGH TENSION FAULTS

| Type Of Fault | No. Of Faults |
|-----------------|---------------|
| Lightning | 12 |
| Cable | 6 |
| Eskom | 3 |
| Line faults | 130 |
| Transformer | 5 |
| Substations | 2 |
| Mini Substation | 8 |
| T3 Switches | 4 |

5.5.3.1.4 LOW TENSION FAULTS

| Type Of Fault | No. Of Faults |
|---------------|---------------|
| Cable faults | 180 |
| Line failure | 87 |
| C B failure | 11 |
| Lightning | 5 |
| Malicious | 82 |

5.5.3.1.5 NEW CONNECTIONS

| Town | Household | Business |
|--------------------|-----------|----------|
| Amsterdam | 6 | 4 |
| Piet Retief | 300 | 8 |
| Eskom license area | 340 | 0 |

5.5.3.1.6 PREPAID CONNECTIONS

| Town | Household | Business |
|-------------|-----------|----------|
| Piet Retief | 800 | 60 |
| Amsterdam | 600 | 30 |

5.5.3.1.7 METER AUDITS

| Town | No. of Audit's | Found Correct | Tempered With |
|-------------|----------------|---------------|--------------------------|
| Piet Retief | 1250 | 1074 | 176(illegal connections) |
| Amsterdam | 208 | | 108 |

5.5.3.2 CHALLENGES

CONDITION OF OUR MAIN-SUBSTATION/ CHALLENGES

- The two transformers in our main substation (next to water side) are overloaded such that if one can fail we will not be able to supply all our clients (can only supply some/ few).
- The Substation in Amsterdam needs to be maintained
- Old infrastructure (transformers, high voltage cables, T3 switches, mini-sub, overhead lines) needs to be replaced gradually.
- Large meter users needs be atomized.
- Ageing fleet

5.5.3.3 ELECTRICAL COMPLAINTS

| Month | Piet Retief | Amsterdam |
|-----------|-------------|-----------|
| JUNE | 84 | 30 |
| JULY | 62 | 15 |
| AUGUST | 44 | 20 |
| SEPTEMBER | 84 | 21 |
| OCTOBER | 168 | 80 |
| NOVEMBER | 121 | 50 |
| DECEMBER | 128 | 45 |
| JANUARY | 108 | 47 |
| FEBRUARY | 175 | 106 |
| MARCH | 106 | 57 |
| APRIL | 120 | 60 |
| MAY | 80 | 30 |
| JUNE | 65 | 26 |
| JULY | 85 | 47 |

5.5.3.4 MAJOR WORK ACHIEVED

- We were able to maintain 195 transformers serviced
- We serviced 65 high voltage breakers..

5.6 TOWN PLANNING AND HUMAN SETTLEMENTS DIVISION

5.6.1 TOWN PLANNING

| | Type of Development | Number of applications Received | Number of Approvals | Number of disapprovals | Outstanding |
|--|-------------------------|---------------------------------|---------------------|------------------------|-------------|
| | Rezoning Applications | 25 | 05 | - | 25 |
| | Subdivisions | 12 | 02 | - | 10 |
| | Consent use | 05 | 03 | - | 02 |
| | Township establishments | 02 | 02 | - | - |

5.6.1.1 NARRATIVE

Of the twenty five (25) outstanding rezoning applications, some were received in the previous financial year. Land Use Management Committee was established and trained towards the end of the previous financial year. The Committee started considering applications and will gain momentum in the next financial year.

5.6.1.2 ACHIEVEMENTS AND CHALLENGES

| Achievements | Challenges |
|--|---|
| 3 Townships are in the process of being established. | There is a shortage of Infrastructure, i.e. Water, Sewer & Electricity, which puts restrictions on the growth of the areas. |
| A consultant was appointed to compile a wall-to-wall Land Use Management Scheme | There are no funds to formulate a Localized Spatial Development Framework to guide the growth of the urban areas. |
| Establishment of a functional Land Use Management Committee | None |
| A sale of 93 residential sites to community members at Piet Retief Ext. 7 (Group 10) | The process of allocating sites to community members is slow |

5.6.2 HUMAN SETTLEMENTS

Construction of RDP houses is the competency of the Provincial Department of Human Settlements. The role of the Municipality is provision of land and identification of beneficiaries.

| Area | Contractor's Name | Complete Houses |
|-----------------------|----------------------|-------------------------------|
| Donkerhoek | MRTT | 62 |
| Mangosuthu | Deebo | 249 |
| Maphepheni | Nkomotabo | 150 |
| Maphepheni | Taulamela | 150 |
| Jabulani Agri Village | MRTT | 34 |
| Dirkiesdorp | Likhono Construction | 25 |
| TOTAL | | 670 Houses |
| No of Beneficiaries | | 2, 546 Beneficiaries assisted |

5.6.2.1 ACHIEVEMENTS AND CHALLENGES

| Achievements | Challenges |
|--|--|
| More houses built compared to the previous financial year. | A certain portion of land earmarked for development was invaded and invaders are reluctant to relocate. |
| xxx individual beneficiaries benefited | Inability to deal with the misallocation that took place in the past. |
| Eradication of the Mangosuthu informal settlement was successful | Services are not installed Deebo Construction abandoned the site due to issues with the Department of Human Settlements |

5.6.3 BUILDING CONTROL

| | Received | Approved | Disapproved | Outstanding |
|------------------------------|----------|----------|-------------|-------------|
| Residential | 57 | 44 | 11 | 01 |
| Commercial | 02 | 02 | - | 01 |
| Industrial | 06 | 03 | 03 | - |
| Cellular Mast Infrastructure | 04 | 04 | - | - |
| Total | 69 | 53 | 14 | 02 |

5.6.3.1 NARRATION

There was a challenge in monitoring of illegal buildings due to shortage of personnel and other tools of trade.

5.7 COMMUNITY SERVICES DEPARTMENT

5.7.1 SOLID WASTE

- Refuse removal is collected once a week per section in residential areas (Thandakukhanya, Retiefville, Kempville, Harmony Park, Piet Retief and Amsterdam)
- Refuse (Mass Containers) collected on daily basis in the CBD
- Refuse containers collected in residential areas on regular basis (street corners and public open spaces)
- Heaps of waste removed from “hot spots” (illegal dumping sites)-street corners and public open spaces on daily basis, with assistance from technical department
- Landfill site, the operation of the site is in line with the minimum requirements set up by the department of environmental affairs, with regards to waste management.
- The waste cleaning-up campaign was done in ward 7 and 16 with the executive mayor and cllrs.
- COGTA, and CWP programmes assisted us a great deal with cleaning the residential areas and turning illegal dumping spots into parks and/or gardens (9 illegal dumping spots were turned into parks and/or gardens at ward, 10 we changed 2,11 changed 1, 12 changed 2, 13 changed 5)
- We received 2 compactor trucks from the Gert Sibande district municipality and COGTA Mpumalanga province.

5.7.2 PARKS

- Planted new trees and shrubs in the gardens that are at the entrance of the township and also the CBD
- Tree planting with the executive mayor and Councillors in some schools (Harmony Park combined school and Imizamoyethu primary school)
- Grass cutting of public open space, sport grounds, parks and cemeteries
- Nursery re-establishment was completed; on the job training for the parks and garden team was done by DEDET(Amsterdam and Barberton environmental center).Vegetable seedlings, flowers and trees are being grown in the nursery.

5.7.3 FORESTRY

- Revenue collected of an estimated income of R7m by selling of trees(Pine and Gum)
- Harvesting: P630, P667, G254, G866
- Minor sivilculture was done in the plantation i.e. maintenance
- Fire fighting in the plantations was done successfully, no major fires were experienced and no claims done of fire damage from neighboring farms.
- Re-establishment of harvested plantation is important to ensure that the business is sustained

5.7.4 SPORT

- Revival of interdepartmental football games from different stakeholders participating.
- As part of social cohesion, Municipality partnered with Mondi to organize games for a number of teams.
- Municipality-Mondi Rural Football League is held annually.
- Re-launched of the sports council was successfully implemented
- Maintenance of sports facilities were properly managed.
- Municipality won first prize in the local interdepartmental sport meeting on soccer and netball

5.7.5 LIBRARY

- Successfully hosted the Fundza fun run program during the month of Octobers/Novemeber
- World book Day-story sessions for the aged and pre-scholars
- Reading material

| Description | Number |
|--------------------------|--------|
| Readers | 4967 |
| Enrolment | 33 |
| Books borrowed to public | 6130 |
| Average book out | 165 |
| Income received | R 645 |

5.8 PUBLIC SAFETY

5.8.1 LICENSING

- Currently the Licensing unit is operating with one supervisor and the other supervisor position and a Chief License Officer is currently vacant.
- The culture and discipline in the Licensing office is in order. We have standing orders, contracts signed to Department of Community Safety Security and Liaison.
- The previous challenge in the section was the unavailability of Trade Officer to deal with business licenses and as off now the municipality is in the process to fill the position permanently.
- There is however need to have a proper Radio system and specific channel for Traffic unit to be able to solve communication problems within the deferent units(Fire and Licensing units), and the department is underway in terms of exploring the system that will be convenient for this purpose .
- The Traffic Office Section and Disaster Management section continued to provide services as required by the community.

The income statement for public Safety for the year under review is as follows:

| MONTH | RTMC FEES | PRODIBA | PROVINCE |
|----------------|--------------|-------------|---------------|
| JULY 2010 | R 56 124 -00 | R 27 000,00 | R 923 0003,68 |
| AUGUST 2011 | R 65 592,00 | R 29 325,00 | R 1282 964,19 |
| SEPTEMBER 2011 | | R 45 000,00 | R 1037014,12 |
| OCTOBER 2011 | | | R 944 808,04 |
| NOVEMBER 2011 | | | R 1089953.00 |
| DECEMBER 2011 | | | R803 069.57 |
| JANUARY 2012 | | | R1169542,48 |
| FEBRUARY 2012 | R61344,00 | | R833 917,72 |
| MARCH 2012 | R 67968,00 | R 17475,00 | R1248921.88 |
| APRIL 2012 | R51120,00 | R5788,00 | R883049.84 |
| MAY 2012 | R63828,00 | R5329,00 | R1223226,50 |
| JUNE 2012 | R55656,00 | R30535,00 | R1013295,65 |

TRAFFIC

| TOTAL SUMMONS ISSUED | TOTAL SUMMONS ISSUED | SUMMONS PAID | DEPT.OF JUSTICE | ADNORMAL FEES | ACCIDENTS REPORTS | FIRE PERMITS |
|----------------------|----------------------|--------------|-----------------|---------------|-------------------|--------------|
| JULY 2011 | 756 | R 68 800,00 | R 10 900,00 | R 25 500,00 | | |
| AUGUST 2011 | 788 | R 70 950,00 | R 20 000,00 | R 18 000,00 | R 750 00,00 | |
| SEPTEMBER 2012 | 706 | R 64 400,00 | R 9650,00 | R 54 750,00 | R 875,00 | |
| OCTOBER 2011 | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS |
| NOVEMBER 2011 | 486 | R 65 200,00 | R 7400,00 | R 29 250,00 | | R 50,00 |
| DECEMBER 2011 | 879 | R 23 900,00 | R 21 200,00 | R 27 900,00 | | R 100,00 |
| JANUARY 2012 | 792 | R 40 300,00 | R 5 300,00 | R 22 500,00 | | R 100,00 |
| FEBRUARY 2012 | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS | NO RECORDS |
| MARCH 2012 | 755 | R70 903,00 | R6 200,00 | R 33 000,00 | | R 100,00 |
| APRIL 2012 | 516 | R 46 400,00 | R4 650,00 | R 47 250,00 | | |
| MAY 2012 | 588 | R 55 300,00 | R 8600,00 | R37 500,00 | | |
| JUNE 2012 | 792 | R 63 830 | R 9500,00 | R 44 250,00 | | |

| ACCIDENT | NUMBER |
|----------------------|------------|
| Motor Vehicles | 105 |
| Heavy Motor Vehicles | 0 |
| Cyclist | 0 |
| Pedestrian | 10 |
| Hit and run | 0 |
| ACCIDENT | NUMBER |
| Special Duties | 11 |
| Drownings | 3 |
| Total | 129 |
| Deceased | 23 |
| Serious Injuries | 45 |
| Slight Injuries | 105 |
| FIRES | |
| Building | 13 |
| Field | 14 |
| Vehicles | 2 |
| Other | 1 |
| Plantations | 2 |

| | |
|--------------------|-----------|
| Bin | 0 |
| Total | 32 |
| INSPECTIONS | |
| Shops | 9 |
| Houses | 17 |
| Factories | 0 |
| Other | 0 |
| Total | 26 |

DISASTER MANAGEMENT

During this frame 0 sails were handed out

During this time frame 320 frame blankets were handed out

During this time frame 8 tents were handed out

6 ANNEXURES: QUATERLY REPORTS

6.1 FINANCIAL SERVICES DEPARTMENT

6.2 COPORATE SERVICES DEPARTMENT

6.3 TECHNICAL SERVICES DEPARTMENT

6.4 COMMUNITY SERVICES DEPARTMENT